# Q3

**Report for the**

## NINE MONTHS ENDED
## 30 SEPTEMBER 2020

**(org number: 559018-9543)**

## Highlights

(all amounts are in US dollars unless otherwise noted)

**Third Quarter 2020**

- Daily oil & gas production for Q3 2020 averaged 3,580 BOEPD (Q3 2019: 3,593 BOEPD)
- Revenue of USD 11.2 million (Q3 2019: USD 16.1 million)
- Operating netback of USD 7.0 million or USD 21.12 per BOE (Q3 2019: USD 12.0 million or USD 38.22 per BOE)
- EBITDA of USD 5.5 million (Q3 2019: USD 10.7 million)
- Net result of USD 1.8 million (Q3 2019: USD 6.6 million)
- Basic earnings per share of USD 0.02 (Q3 2019: USD 0.07)
- Diluted earnings per share of USD 0.02 (Q3 2019: USD 0.06)
- The Company signed Block 70 (Mafraq oil field) EPSA in Oman on 5 October, 2020 adding 23.2 million barrels of 2P + 2C volumes to the Company's asset base.

**Nine Months Ended 30 September 2020**

- Daily oil & gas production for the nine months 2020 averaged 3,490 BOEPD (2019: 3,004 BOEPD).
- Revenue of USD 30.4 million (2019: USD 41.9 million)
- Operating netback of USD 19.3 million or USD 20.67 per BOE (2019: 31.7 USD million or 40.38 USD per BOE)
- EBITDA of USD 15.4 million (2019: USD 27.5 million)
- Net result for the period of USD 5.4 million (2019: USD 17.0 million)
- Basic Earnings per share of USD 0.05 (2019: USD 0.17)
- Diluted Earnings per share of USD 0.05 (2019: USD 0.16)
- Cash and cash equivalents balance of USD 18.0 million (2019: 20.4 million)

**Financial Summary**

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | FY 2019 |
|---|---|---|---|---|---|---|---|---|
| Net Daily Production (BOEPD) | **3,580** | 3,602 | 3,288 | 3,165 | 3,593 | **3,490** | 3,004 | 3,044 |
| Revenue | **11,226** | 7,926 | 11,207 | 13,672 | 16,068 | **30,359** | 41,917 | 55,589 |
| Operating netback | **7,041** | 4,377 | 7,858 | 9,825 | 12,017 | **19,276** | 31,714 | 41,539 |
| EBITDA | **5,514** | 3,436 | 6,434 | 8,354 | 10,663 | **15,384** | 27,514 | 35,868 |
| Net result for the period | **1,845** | 407 | 3,191 | 2,679 | 6,570 | **5,443** | 16,975 | 19,654 |
| Earnings per share – Basic (USD) | **0.02** | 0.00 | 0.03 | 0.03 | 0.07 | **0.05** | 0.17 | 0.20 |
| Earnings per share – Diluted (USD) | **0.02** | 0.00 | 0.03 | 0.02 | 0.06 | **0.05** | 0.16 | 0.18 |
| Cash and cash equivalents | **18,034** | 15,699 | 19,190 | 22,450 | 20,421 | **18,034** | 20,421 | 22,450 |

## Definitions

**Abbreviations**

| | |
|---|---|
| **CAD** | Canadian Dollar |
| **SEK** | Swedish Krona |
| **BRL** | Brazilian Real |
| **USD** | US Dollar |
| **TSEK** | Thousand SEK |
| **TUSD** | Thousand USD |
| **MSEK** | Million SEK |
| **MUSD** | Million USD |

**Oil related terms and measurements**

| | |
|---|---|
| **BOE or boe** | Barrels of Oil Equivalents |
| **BBL or bbl** | Barrel |
| **BOEPD** | Barrels of Oil Equivalents Per Day |
| **BOPD** | Barrels of Oil Per Day |
| **Mbbl** | Thousand barrels of Oil |
| **MMbbl** | Million barrels of Oil |
| **Mboe** | Thousand barrels of oil equivalents |
| **MMBoe** | Millions of barrels of oil equivalents |
| **Mboepd** | Thousand barrels of oil equivalents per day |
| **Mbopd** | Thousand barrels of oil per day |
| **MCF** | Thousand Cubic Feet |
| **MSCFPD** | Thousand Standard Cubic Feet per day |
| **MMSCF** | Million Standard Cubic Feet |
| **MMSCFPD** | Million Standard Cubic Feet Per Day |
| **BWPD** | Barrels of Water Per Day |

**Gas to oil conversion**

6,000 cubic feet = 1 barrel of oil equivalent

## Letter to shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

### 12 consecutive profitable quarters

This marks the 12th consecutive profitable quarter in our Company's short four year history. A truly remarkable achievement, given the current unprecedented economic downturn. 2020 will prove to be a disastrous year for the oil and gas industry – even worse than the 1984 – 1986 meltdown. The Baker Hughes active U.S. drilling rig count is a good barometer of the health of the global oil and gas industry. It recorded 250 active drilling rigs in the U.S. during the month of August. This is a record – by far. The number of drilling rigs in the U.S. has never been this low (average working rigs for the past 35 years is around 1,200). Previous low was 407 rigs in 2016 and 496 rigs in 1999. The lowest it got between 1984 and 1986 was 688 and still, we continue to deliver profitable numbers – that is something to celebrate!

### Production volumes

Back in April, when COVID-19 was sweeping the world with uncertainty, we decided to postpone the drilling of Tie- 2 and Tie-3 along with suspending testing operations on Maha-1 (Tartaruga). This and a water loading issue in the GTE-4 Agua Grande (AG) zone (Tie) are the main reasons why the 2020 production guidance was revised in October. Happily, drilling resumed with the spudding of Tie-2 at the end of September, and testing operations recommenced at Tartaruga (Maha-1) as well. We look forward to adding these two wells to our Brazilian production volumes very soon.

At the moment we are experiencing delays and operational set backs on Tie-2, Tie-1 (AG zone) and GTE-4 (AG zone) which we are in the full swing of resolving. In addition to re-establishing production from these zones, we are finishing off stimulation work on Maha-1 and we are completing 2 wells in the Illinois Basin (IB). In fact, at the moment we have 3 rigs working in Brazil and 1 rig and 1 stimulation crew working in IB. All these wells will, individually, contribute to ensure we leave 2020 in our 5200 – 5700 BOEPD target range.

### Oman

At the beginning of November, we received the Royal Decree for Block 70 from His Majesty Haitham Bin Tarik Al Said, the Sultan of Oman. This signals the start of the Exploration Production Sharing Agreement signed earlier in October. Block 70 is ideally located between multiple large and high-volume producing oil fields and contain the appraised and undeveloped Mafraq field. The Mafraq field was discovered in 1988 and is estimated to contain between 180 – 280 million barrels of 13° API Oil In Place (OIP). What is exceptional about this heavy oil field is that it cold flows – meaning it does not necessarily need heat to extract it. In fact, one of the delineation wells was tested with a progressive cavity pump for 22 days during which a total of 15,750 barrels of oil was collected. The fact Mafraq has been delineated means reserves and contingent resources can be booked against this asset. As such, we were very pleased to publish a combined 2P + 2C volumes of 23.2 million barrels to our asset base. We have great plans for developing this field.

### Future

The oil price continues to be a side-show to the COVID-19 pandemic. It is clear we are in the midst of a violent upswing in COVID-19 cases, and there is lots of suffering. However, hopefully we are nearing the end of this pandemic. As vaccines are rolled out, the oil market will start to recover and I predict a strong rebound in oil prices as the world starts to open up and resume activities. We are now absolutely optimally placed to take advantage of a strengthening market with 4 solid assets. We have quadrupled our production in 4 years and now we are positioned to quadruple it again!

I want to thank all my fellow Maha colleagues for their tireless efforts during these dark days. And I want to thank all our shareholders for the continued support we receive. The many e-mails of support are truly appreciated.

Stay safe, stay healthy and stay with us – we are lining up all the pieces for a very bright future.

"Jonas Lindvall"

Managing Director

## Financial Report for the Third Quarter Ended 30 September 2020

### OPERATIONAL AND FINANCIAL REVIEW

#### Strategy

The Company's business activities include the exploration for and development and production of hydrocarbons. 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. By focusing on assets with proven hydrocarbon presence and applying modern and tailored technology solutions to recover the hydrocarbons in place, the Company's primary risk is not uncertainty in reservoir content but in the fluid extraction.

#### COVID-19 and Low oil price response

The COVID-19 crisis, its economic impact along with the oil price decline provides an exceptionally challenging market situation. Maha closely monitors the COVID-19 related developments with the main focus on reducing the risk of the virus spreading in its operations and safeguarding the well-being of the Company's employees and contractors, whilst at the same time minimising the potential impact on the business. The COVID-19 pandemic has had significant negative effects on economies of the jurisdictions where the Company operate, including a substantial decline in crude oil and natural gas product prices. Additionally, it has resulted in volatility and disruptions in regular business operations, supply chains and financial markets as well as declining trade and market sentiment.

Maha has high quality, low cost assets, that are well positioned in a low oil price environment. Nevertheless, the Company has taken steps to defer activity and reduce spend, in order to further strengthen near term cash flow and liquidity of the business. Maha has revised the 2020 capital budget to 15.5 million, a reduction of 25% from the original budget, with further reductions in operating costs being implemented. During March, operations at the LAK Ranch oil field were suspended and remains suspended as at 30 September 2020. Maha has continued to evolve its management practices to ensure the health and safety of our workers and contractors. Where possible Maha have temporarily scaled back headcount, implemented work from home policies, implemented practices to monitor and control access to our sites via typical COVID monitoring protocols and continue to, at a very minimum, comply with local country legislation.

The Company believes that measures it has taken will provide it with the financial capability to maintain its operations in safe and reliable manner and continue to challenge its cost structure. The Company is confident that commodity prices will eventually improve, however the timing of the improvement is uncertain, and continued volatility is expected.

### Assets

| Country | Concession name | Maha Working Interest (%) | Status | Gross Area (acres) | BOEPD ([1]) | Partner |
|---|---|---|---|---|---|---|
| USA | LAK Ranch | 99% | Pre-Production | 6,475 | 5 | SEC (1%) |
| USA | Illinois Basin | 100% (*) | Producing | 4,039 | 141 | |
| Brazil | Tartaruga | 75% | Producing | 13,201 | 602 | Petrobras (25%) |
| Brazil | Tie (REC-T 155) | 100% | Producing | 1,511 | 2,832 | |
| 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 | - | |

(*) Average working interest of 95% based on a net area of 3,826 acres.

## *BRAZIL*

**Tie Field (Reconcavo Basin)**

Maha owns and operate, through a wholly-owned subsidiary, 100% working interests in 6 onshore concession agreements located in the Reconcavo Basin of Brazil, including the oil producing Tie field. The Tie field and the 6 concessions are located in the state of Bahia, onshore Brazil. The 6 concessions are in varying stages of exploration and development. A total of 8 wells had been drilled and 212 km² of 3D seismic had been acquired by the previous Operator over the 41,606 total acres.

*GTE-4 (oil producer)*
During the month of October 2019, and as expected, the GTE-4 Sergi formation (long string) temporarily stopped free-flowing which led the Company to commence advanced plans to reconfigure GTE-4 to install a downhole jet pump artificial lift system, as and when operations permit. This was not unexpected, for which in anticipation of this, the Company had already installed the surface jet pumping equipment at the well site. During April 2020, GTE-4 was worked over and dually completed. The Sergi zone is producing above expectations. However, after swabbing the Agua Grande zone and running the downhole jetpump assembly in the hole, a blanking sleeve became stuck downhole which required further fishing. During the month of September, the GTE-4 oil producing well was shut down for 14 days, due to workover operations to fish the stuck blanking sleeve. Fishing operations to date have been unsuccessful and a more rigorous workover operation is now scheduled during the fourth quarter to restore production from the AG zone. Production from GTE-4 well (Sergi zone) was resumed on the 28th of September and is performing as expected. GTE-4 is currently only producing from the Sergi zone.

*7-Tie-1DP-BA (Attic Well) or (Tie-1)*
On February 18, 2019 Maha spudded its first development well to boost production at the Tie field. The primary objective of this well was to dually complete the AG and Sergi zones at a structurally higher position to the already free flowing GTE-4 well. A secondary objective was to penetrate and evaluate the slightly deeper Boipeba sandstone reservoir. However, poor reservoir development of the Boipeba formation resulted in no hydrocarbon presence at

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[1] As per the current quarter reported net production volumes to Maha before royalties. 1BBL = 6,000 SCF of gas. Approximately 94% of Maha's oil equivalent production is crude oil.

this location. Following the initial single completion, the well was recompleted using a dual 2-3/8" tubing completion with initial free flowing tests from the Sergi and AG formations of 985 BOPD (1,088 BOEPD) and 1,726 BOPD (1,844 BOEPD) respectively with neither zone producing any noticeable water amount. During these tests the AG production had to be choked back (restricted) due to surface equipment limitations, suggesting potential higher production rates. The well was hooked up in September 2019 and has been producing under natural flow from both zones. During the month of October Tie-1 was temporarily closed in to facilitate planned upgrading activities at the Tie Field. When restarting production from the Tie-1 well, the AG zone suffered water loading in the production string and required some temporary artificial lift using a workover rig. During the workover, which took 10 days, the well was completely shut in.

*Tie South-1 (Tie-2) and Tie South-2 (Tie-3)*
As part of the capital investment plan for the current year, Maha has budgeted to drill and complete Tie-2 and Tie-3 well. Final environmental approvals were obtained in February for these two wells. Tie-2 is planned as a near vertical dual producer whilst the Tie-3 is planned to be a dual water injector. During the current quarter, the Tie south drilling pad was built and a drilling rig was mobilized to site and drilling operations at Tie 2 (previously known as TS-1) commenced on 22 September. Tie-2 is expected to be completed by the end of November and production from this well is expected by mid December.

The Tie 3 (previously known as TS-2) injector is planned to be drilled immediately after Tie 2 is completed and will provide important reservoir pressure support.

*Production Facilities*
Tie facility now has the handling capacity to 5,000 BOPD. As the Tie field is not connected to a pipeline system, all oil is exported by trucks. The associated gas is separated and sold locally to two customers. On 11 September, the two 1,380 HP Ariel Compressors units commenced operations and started to inject gas while simultaneously delivering conditioned gas to GTW and CDGN. Any excess gas produced at Tie is now being injected back into the reservoir affording significant operational flexibility and redundancy for Tie field oil production. This fast track project commenced in November 2019 and was delivered on time even whilst managing the Covid-19 pandemic.

Average production from the Tie field during the current quarter was 2,832 BOEPD (2,555 BOPD of oil and 1,666 MSCFPD of gas). Oil production at the Tie field continues to remain stable despite movement restrictions due to the COVID-19 pandemic. Maha was able to increase oil production during the quarter resulting from ability to sell more gas to its customer as a new gas end-user started taking deliveries during the quarter.

**Tartaruga Field**

Maha has a 75% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin onshore Brazil. The Tartaruga field is located in the northern half of the 13,201 acre (53.4 $km^2$) Tartaruga Block and produces light (41° API) oil from the Penedo sandstone reservoir. The Penedo sandstone consists of 27 separate stacked sandstone stringers, having all been electrically logged and are believed to contain oil, and of which only 2 of the 27 have been produced (Penedo 1 and Penedo 6).

*7TTG Well*
The workover to recomplete the 7TTG well with larger tubing and a dedicated jet pump was completed in 2019. The P1 and P4 sandstones were perforated, and the P1 zone stimulated using high pressure hydraulic stimulation technology. Subsequent clean-up operations have yielded an initial production rate of 750 BOPD (gross) from the P1 zone only. The Penedo 1 sandstone had never been produced in the 7TTG well and was considered 'pay-behind-pipe'. The well is currently on production.

*107D Sidetrack*
This prolific horizontal sidetrack was the first horizontal well in the Penedo sandstone in Brazil. It has paved the way for future horizontal well technology on the Taratruga structure. The 107D well is currently on production.

*Maha-1 (7-TTG-3D-SES) Delineation (new) Well*

On 12 July 2019, the Company spudded Maha-1 and Total Depth (TD) was reached on 3 October 2019. The well was cased and cemented and the rig released in mid-October. Because of space limitations at the Tartaruga location, a smaller rig had to be brought in to assist in well testing operations. The plan was for Maha-1 to undergo extensive well tests to evaluate previously untested Penedo sandstone stringers. On 23 January, 2020, a workover rig was positioned over the Maha-1 well and well testing operations commenced.

Maha-1 is primarily an appraisal well to provide much needed well information for the Tartaruga field Development Plan. Well testing on Maha-1 was expected to take between 60 – 90 days, and targeted up to five different intervals in the Penedo sandstone. Results of the first testing interval(s) will dictate the final number of testing intervals.

Unfortunately, during March 2020, the Company elected to suspend testing of Maha-1 until 2021 due to the effects of the COVID-19 pandemic:

(a) movement of specialized stimulation equipment, including explosives, in and out of the Tartaruga location became impossible due to reduced Government administrative availability;
(b) the remaining testing operations cover previously tested and hydrocarbon bearing zones that will become 'trapped' behind pipe due to the current Tartaruga Facility +/- 800 BOPD handling limit; and
(c) it allows the Company to utilize capital more effectively elsewhere in the organization in response to the low oil prices.

The higher than expected oil rates from the 107D well, which tested at a surface restricted rate of 939 BOPD in February, is adequate to fill the current production handling capacity at the Tartaruga Facility of approximately 800 BOPD. While important subsurface information would be gathered from the well test, little is gained by completing the Maha-1 testing program until such time the Tartaruga Facility is able to handle volumes greater than 800 BOPD. The Company resumed testing operations on this well during the month of October and is currently being flow tested. Once the well testing has been completed, the well will be placed on production.

*Production Facilities*

Current handling facilities at Tartaruga Field allow for approximately 800 BOPD of processing and handling with storage limited at 1,350 barrels of oil. Current oil production is limited by associated gas flare limitations, and plant handling capacity. Currently, crude oil export is via oil trucks as the facility is not linked to a pipeline system. During the second half of 2019, facilities upgrade work began to handle up to 2,500 BOPD and 2,500 MSCFPD of associated gas. Environmental licenses have already been obtained for the implementation of a Gas-to-Wire (GTW) project that will handle the excess gas for this upgrade. GTW equipment is now in place, and as of early July, the Company is delivering associated natural gas to four gas electric generators. The facilities upgrades were planned to be fully completed during the first half of 2020. However, due to the indirect effect of the COVID-19 pandemic, which is now impacting both the administrative and logistics of the project along with the addition of Maha-1 (well), it has been decided to delay the implementation of the facility upgrade. The Company plans to dovetail the finalization of the upgrade work with the completion of the Maha-1 well once the market and pandemic conditions improve.

The Tartaruga field continues to meet production targets and is operating currently with only limited impact from COVID-19. The Company has plans in place whereby a temporary production facility will be made available by a third party, to ensure production is not reduced due to facility handling constraints should the current conditions ease and the Maha-1 brought on stream before the Facility is fully upgraded. Gas sales from Tartaruga commenced in July via the third-party company GTW ("Gas to Wire"), who generates electricity from the associated gas produced at Tartaruga to the local grid.

Average production, net to the Company from the Tartaruga field during the current quarter was 602 BOEPD (586 BOPD of oil and 96 MSCFPD of gas).

## *USA*

**Illinois Basin**

On 31 March, 2020. Maha acquired certain oil producing assets in the Illinois Basin, USA, adding 3,826 net acres of oil and gas leases to Maha's USA footprint. The Illinois Basin is one of the oldest oil producing basins in North America having produced over 4 billion barrels of oil to date. Oil was initially discovered by accident in 1853 according to historical records and oil is found in multiple shallow Dolomite and sandstone reservoirs. Most producers in the area produce oil from 3 separate reservoirs that act independent of each other. This is a low risk conventional oil play that requires low cost drilling and stimulation operations. During 2019, Dome AB Inc (the acquired company) produced a total of 64,000 barrels of oil at a netback of approximately US$ 31/bbl. Realized price is WTI minus US $3/bbl.

As part of the acquired assets, Maha has acquired contractual commitments to drill one well and to complete a drilled but uncompleted (DUC) well. This activity was scheduled to be completed during the fourth quarter of this year and is now underway. The Glaze-1 well was drilled in November and is set to be stimulated and hooked up for production during the first half of December. The Walgrove DUC well was completed and placed on production during November.

Average net production from the Illinois basin during the current quarter was 141 BOPD of oil.

**LAK Ranch (LAK)**

The Company owns and operates a 99% working interest in the LAK Ranch oil field, located on the eastern edge of the multi-billion barrel Powder River Basin in Wyoming, USA.

The crude oil density produced from the LAK area is 19° API. Since the purchase of this field in 2013, the Company has been evaluating different oil recovery mechanisms and is currently working towards a staged full field development using a hot water injection scheme. Multiple attempts have been made on the field since its discovery in the 1960's, including cyclic steam, steam assisted gravity drainage and solvent injection. Maha has determined through drilling results, core analysis, and computer aided modelling, core tests and field pilot tests that a simple water flood using hot water produces the best economic results. The LAK Ranch asset is still considered to be in the pre-production stage and undergoing delineation and pre-development work. As such royalties and operating costs, net of revenues, since the commencement of operations have been capitalized as part of exploration and evaluation costs.

LAK field operations were suspended beginning of March and remained suspended during the third quarter. As a result of suspension of operations, further work will be completed once the operations resume. During the current quarter, the Company generated incidental revenue from LAK Ranch of TUSD 15, on average sales volumes of 441 barrels of oil as LAK field was considered uneconomic due to decline in the oil prices.

### Production

| | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| Delivered Oil (Barrels)[2] | **302,320** | 304,585 | **882,365** | 761,701 | 1,019,047 |
| Delivered Gas (MSCF) | **162,094** | 155,753 | **443,384** | 349,785 | 552,862 |
| Delivered Oil & Gas (BOE)[3] | **329,336** | 330,544 | **956,262** | 819,999 | 1,111,191 |
| Daily Volume (BOEPD) | **3,580** | 3,593 | **3,490** | 3,004 | 3,044 |

[2] Includes LAK Ranch Oil delivered during the period
[3] BOE is Barrels of Oil Equivalent and takes into account gas delivered and sold. 1 bbl = 6,000 SCF of gas

Production volumes shown are net working interest volumes before government, gross overriding, and freehold royalties. Approximately 92% (Q3 2019: 92%) of total oil equivalent production was crude oil for Q3 2020.

Average daily production volumes for Q3 2020 was 3,580 BOEPD which was in line with the comparative third quarter of 2019 but for the nine months of 2020 increased by 16% to 3,490 BOEPD as compared to the same period in 2019. During the quarter, Tie production suffered due to string of electrical power failures and planned shutdowns during the month of August. GTE-4 production has suffered since May due to mechanical problems in the AG short string preventing oil contribution from the AG zone. To rectify this, GTE-4 was shut down for 14 days during the month of September to fish a stuck blanking sleeve. These setbacks at the Tie field were slightly offset by the gas sales commencement from Tartaruga field to the Gas-to-Wire to generate electricity from the associated gas produced at Tartaruga field as well as the addition of 141 BOPD from the newly acquired Illinois basin.

Maha's production continues to be impacted by the COVID-19 pandemic; however, Maha is continuously finding ways to try to meet the production targets. Due to effects from COVID-19, the Company currently expects the 2020 annual average production volumes to land at about 5% below the lower end of the previously communicated guidance of 4,000 – 5,000 BOEPD. Effects from COVID-19 still impact 'on the ground' logistics and personnel movements in Brazil, which in turn has a direct impact on production uptime.

### Revenue

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| Oil and Gas revenue | **11,226** | **16,068** | **30,359** | **41,917** | 55,589 |
| Sales volume (BOE) | **333,301** | **314,491** | **932,357** | **785,313** | 1,066,084 |
| Oil realized price (USD/Bbl) | **36.39** | **54.93** | **35.34** | **57.00** | 56.32 |
| Gas realized price (USD/MSCF) | **0.57** | **1.14** | **0.66** | **1.25** | 1.11 |
| Equivalent oil realized price (USD/BOE) | **33.68** | **50.96** | **32.56** | **53.32** | 52.14 |
| Reference price – Brent (USD/Bbl) | **42.96** | **61.93** | **40.92** | **64.67** | 64.36 |

Revenue for the current quarter amounted to TUSD 11,226 (Q3 2019: TUSD 16,068), a decrease of 30% as compared to Q3 2019 and has been detailed in Note 4. This decrease in revenue is mainly due to lower oil equivalent realized price by 34%. The lower realized price is in line with the decline in Brent oil price during the quarter. During the current quarter, the Company also sold built up oil inventory at the Tartaruga field to offset revenue decline resulting from lower realized prices. In addition, included in the Q3 2020 revenue are sales from the Illinois Basin of TUSD 518.

Revenue for the nine months of 2020 amounted to TUSD 30,359 (2019: TUSD 41,917) and was comprised of 19% higher sales volume of oil and gas. Despite higher sales volume, revenue for this period decreased by 28% as compared to the same period in 2019 resulting from the depressed oil and gas prices and the current economic conditions from the COVID-19 pandemic. Included in the nine months 2020 revenue are sales from the Illinois Basin of TUSD 875.

LAK Ranch production volumes are excluded from sold volumes as this field is still in pre-production stage. More revenue information can be found in Note 4 to the Condensed Consolidated Financial Statements.

Crude oil realized prices in Brazil are based on Brent price less/plus current contractual discounts/premiums as follows:

*Tie Field crude oil*

Crude oil from the Tie field is sold to Petrobras and a nearby refinery. For crude oil sold to the refinery, effective April 1, 2020, the discount is price-based scale as follows:

| BRENT Price (USD/bbl) | Discount (USD/Bbl |
|---|---|
| < $30 | $5 |
| Between 30.1 and 40 | $6 |
| Over 40.1 | $8 |

Crude oil sales to Petrobras from the TIE field are sold at a discount to Brent oil price of $11.53/Bbl for the first 22,680 monthly delivered barrels, and $7.01 thereafter.

*Tartaruga Field crude oil*

Crude oil from the Tartaruga field is entirely sold to Petrobras. Since July 1, 2019, crude oil has been sold at a premium to Brent of USD 0.16/Bbl. Beginning July 1, 2020 crude oil is being sold at a discount to Brent of USD $2.91/Bbl.

*Illinois Basin*

Crude oil from the Illinois Basin is sold on one customer at the benchmark monthly average WTI price minus US $3/Bbl.

### Royalties

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| Royalties | **1,746** | 2,130 | **4,392** | 5,509 | 7,449 |
| Per unit (USD/BOE) | **5.24** | 6.77 | **4.71** | 7.01 | 6.99 |
| Royalties as a % of revenue | **15.6%** | 13.3% | **14.5%** | 13.1% | 13.4% |

Royalties are settled in cash and based on realized prices before discounts. Royalty expense decreased by 18% and 20% for Q3 2020 and nine months of 2020, respectively, as compared to the same periods in 2019. This decrease is consistent with the decline in revenue for the same periods. Effective royalty rates were higher in Q3 2020 and nine months 2020 as compared to the same periods mainly due to increased sales from the Tartaruga field that has a higher royalty rate as compared to the Tie field in Brazil and addition of sales from the Illinois Basin, acquired at the end of Q1 2020, that also has a higher royalty rate.

### Production expenses

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| Production costs | 1,996 | 1,436 | 5,284 | 3,542 | 5,022 |
| Transportation costs | 443 | 485 | 1,407 | 1,152 | 1,579 |
| Total Production expenses | 2,439 | 1,921 | 6,691 | 4,694 | 6,601 |
| Per unit (USD/BOE) | 7.32 | 6.10 | 7.18 | 5.98 | 6.19 |

Production expenses were higher by 27% for the current quarter and amounted to TUSD 2,439 (Q3 2019: 1,921) and higher by 43% for the nine months of 2020 and amounted to TUSD 6,691 (Nine months 2019: 4,694) as compared to the same periods in 2019.

Maha's production is mainly trucked to the delivery points therefore transportation costs are directly correlated to the sales volumes. Transportation costs for the current quarter are in line with the comparative period as sales volumes are in line as compared to the same quarter of 2019. For the nine months 2020 transportation costs increased by 22% resulting from the higher sales volume by 19% for the nine months of 2020 as compared to the same period of 2019.

Production costs were higher during the current quarter and nine months of 2020 as compared to the same periods in 2019 due to several reasons: first, newly acquired Illinois Basin added TUSD 227 to the Q3 2020 production costs and TUSD 532 to the nine months 2020 production costs; second, higher sales volumes from Tartaruga field resulted in higher production costs as most of these costs are variable in nature; and third, water disposal, oil processing and storage cost increased at the Tartaruga field.

On a per BOE (or unit) basis, production expense increased by 20% for the current quarter and was USD 7.32 per BOE and increased by 20% for the nine months of 2020 and was USD 7.18 per BOE as compared to the comparative periods due to the same reasons as above.

### Operating netback

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| Operating Netback | **7,041** | 12,017 | **19,276** | 31,714 | 41,539 |
| Netback (USD/BOE) | **21.12** | 38.22 | **20.67** | 40.38 | 38.96 |

Operating netback is calculated as revenue less royalties and production expenses and is a metric used in the oil and gas industry to compare performance internally and with industry peers. Operating netbacks for Q3 2020 and nine months 2020 are 41% and 39% lower against the comparative periods as a result of overall decrease in revenue despite higher sales volumes in the respective periods. This was further affected by higher production costs during these periods.

LAK Ranch is still in pre-production stage therefore royalties and operating costs, net of revenues, are being capitalized as part of exploration and evaluation costs and is not included in the Company's netback.

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

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| DD&A | **1,530** | 1,534 | **4,018** | 4,289 | 5,671 |
| DD&A (USD/BOE) | **4.59** | 4.88 | **4.31** | 5.46 | 5.32 |

The depletion rate is calculated on proved and probable oil and natural gas reserves, accounting for 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 capital spending and reserves additions for the period.

DD&A expense for the current quarter amounted to TUSD 1,530 (at an average rate of USD $4.59 per BOE) is in line with the comparative period of Q3 2019 that amounted to TUSD 1,534 (at an average rate of USD $4.88 per BOE). DD&A expense decreased by 6% for the nine months ended September 2020 and amounted to TUSD 4,018 (at an average rate of USD $4.31 per BOE) as compared to TUSD 4,289 (at an average rate of USD $5.46 per BOE). Decrease in the depletion rate is mainly contributed to the increased 2P reserves base at 2019 yearend. Depletion expense was further impacted by the BRL/USD exchange rate as Brazilian Reals has weakened against the US dollar as compared to the comparative periods and depletion is calculated in the functional currency of Brazilian Reals.

### General and Administration ("G&A")

| *(TUSD, unless otherwise noted)* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 | Full Year 2019 |
|---|---|---|---|---|---|
| G&A | **1,414** | 1,268 | **3,453** | 4,052 | 5,464 |
| G&A (USD/BOE) | **4.24** | 4.03 | **3.70** | 5.16 | 5.13 |

G&A amounts are presented net, following allocation of certain costs into production expense and property, plant and equipment based on activity levels.

G&A expense for the current quarter amount to TUSD 1,414 and is higher by 12% as compared to the same period in 2019 due to main market listing fees and legal costs related to main market listing and refinancing. On a per BOE basis, G&A expenses are higher by 5% than the comparative period due to similar volumes for both periods.

G&A expense for the nine months 2020 amounted to TUSD 3,453 ($3.70 per BOE) which is a decrease of 15% from the comparative period G&A of TUSD 4,052 ($5.16 per BOE).

The Company applied for the Canada Emergency Wage Subsidy ("CEWS") program during the third quarter and qualified for TUSD 125. This subsidy has been recorded as a reduction to the eligible remuneration expense incurred by the Company during this period.

### Exploration and business development costs

Exploration and business development costs amounted to TUSD 20 for Q3 2020 and TUSD 186 for the nine months ended September 2020 as compared to nil for the comparative periods. Exploration and business development costs are related to costs incurred for the maintenance of the exploration blocks in Brazil and Maha's pre-exploration study of new areas.

### Foreign currency exchange gain or loss

The net foreign currency exchange gain for the current quarter amounted to TUSD 57 (Q3 2019: TUSD 176 gain) and for the nine months 2020 amount to loss of TUSD 86 (Nine Months 2019: TUSD 82 gain). Foreign exchange movements occur on settlement of transactions denominated in foreign currencies and the revaluation of working capital to the prevailing exchange rate at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Company's reporting entities.

### Net finance costs

Net finance items for the current quarter amounted to TUSD 1,285 (Q3 2019: TUSD 1,264) and for the nine months 2020 amounted to TUSD 3,643 (Nine months 2019: 3,380) and are detailed in Note 5.

### Income Taxes

Current tax expense amounted to TUSD 422 for Q3 2020 and TUSD 985 for the nine months ended September 2020 as compared to TUSD 850 and TUSD 1,766 for the same comparative periods. Current tax expense is lower by 50% and 44% for the current quarter and the nine months ended September 2020, respectively, as compared to the same periods in 2019 mainly due to lower taxable income in Brazil resulting from lower oil and gas prices realized during these periods. Taxation of corporate profits in Brazil is a combined 34% rate (25% corporate income tax and 9% Social contribution); however, Maha Energy Brazil Ltda. has secured certain tax incentives (SUDENE) in both of its fields until fiscal year 2029 allowing for the reduction of 75% of the corporate income tax from 25% to 6.25%, bringing the combined net tax rate to 15.25%.

Deferred tax expense amounted to TUSD 489 for the quarter as compared to TUSD 334 for the same comparative periods and for the nine months ended September 2020 TUSD 1,209 as compared to TUSD 899 for the comparative period. The deferred tax expense in the quarter is a result of the unwinding of the deferred tax asset related to estimated tax-deductible temporary differences and tax loss carryforwards.

### Exchange differences on translation of foreign operations

The functional currency of the Company's subsidiary in Brazil is Brazilian Reals (BRL); however, for the presentation purpose all assets and liabilities are translated at the period end exchange rate and the Statement of Operations is translated at the average exchange rate of the period. The exchange differences on translation of foreign operations is presented in Statement of Comprehensive Earnings.

Total currency exchange translation loss for the nine months 2020 amounted to TUSD 26,366 (Nine months 2019: 4,626 loss) mainly due to US dollar strengthened against Brazilian Real by approximately 40% as compared to 31 December 2019 exchange rate. During the current quarter, currency exchange translation loss increased by TUSD 2,849 (Q3 2019: TUSD 5,715) primarily due to US dollar strengthening by 3% since the end of the second quarter which was slightly offset by Swedish Krona strengthening against US dollars during the quarter.

### Liquidity and capital resources

The Company manages its capital structure to support the Company's strategic growth. The Company's objectives when managing its capital structure are to maintain financial flexibility, preserve access to capital markets, ensure its ability to finance internally generated growth and to fund potential acquisitions while maintaining the ability to meet the Company's financial obligations as they come due. The Company considers its capital structure to include shareholders' equity of USD $68.0 million (31 December 2019: USD $87.9 million) plus net debt of USD $14.7 million (31 December 2019: 8.2 million). At 30 September 2020, the Company's working capital was USD $13.0 million (31 December 2019: USD $23.3 million surplus), which includes USD $18.0 million of cash (31 December 2019: USD $22.5 million) and USD $1.0 million of restricted cash (31 December 2019: $1.6 million). The restricted cash relates to cash posted in Brazil to guarantee letters of credit for certain work commitments (See Note 17). Maha considers working capital operational in nature, therefore, it excludes the current portion of the Bonds payables, which corresponds to financing activities of the Company.

The Company may adjust its capital structure by issuing new equity or debt and adjusting its capital expenditure program, as allowed pursuant to contracted work commitments. The Company does not have any externally imposed material capital requirements to which it is subject except for the Bond covenants (See Note 8). 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.

The Bonds mature in May 2021 and Maha is compliant with all Bond covenants. There is risk that the Company either has insufficient funds to settle the principal amount of the Bond or is unable to successfully refinance or rollover the Bond for an additional term. Currently, the Company expects to refinance or repay the Bonds through either existing cash, future operating cashflows, or issuance of new debt or equity.

### Risks and Uncertainties

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. This approach actively addresses risk as an integral and continual part of decision making within the Company and is designed to ensure that all risk is identified, fully acknowledged, understood and communicated well in advance. Nevertheless, oil and gas exploration, development and production involve high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to fully eliminate or which are beyond the Company's control. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management.

A detailed analysis of Maha's operational, financial, and external risks and mitigation of those risks through risk management is described in Maha Energy's 2019 Annual Report and updated in Note 13. The current and any future COVID-19 outbreaks may increase the Company's exposure to, and magnitude of, each of the risks and uncertainties identified in our Annual Report for the year ended December 31, 2019. The extent to which the COVID-19 impacts Maha's business, results of operations and financial conditions will depend on future developments, which are highly uncertain and are difficult to predict. Even after the COVID-19 outbreaks have subsided, the Company may continue to experience materially adverse impacts to the business as a result of the global economic impact. The Company will continue to monitor this situation and will work to adapting its business to further developments as determined necessary or appropriate.

### Legal matters

The Company has several disclosed legal matters concerning labor, regulatory and operations. All of these are considered routine and consistent with doing business in Brazil. Provisions for lawsuits are estimated in consultation with the Company's Brazilian legal counsel and have been recorded under Other long-term liabilities and provisions.

### Health, Safety and the Environmental ("HSE")

At Maha, HSE is a key component of its management 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 the Company's HSE Values. This is achieved through education, enforcement and reporting. Everyone working or visiting our sites have the right to stop work at any time to prevent potential HSE incidents occurring. Maha's HSE Values set the tone for how employees, contractors, stakeholders and the environment are approached.

Considering the ongoing COVID-19 pandemic Maha has continued to evolve its management practices to ensure the health and safety of our workers and contractors. Where possible Maha has temporarily scaled back headcount, implemented work from home policies, implemented practices to monitor and control access to our operation sites via typical COVID monitoring protocols and continue to, at a very minimum, comply with local country legislations. To date Maha has been able to operate all our facilities throughout the pandemic and believe that it will continue to do so going forward.

Additional information on environmental, decommissioning and abandonment obligations in relation to oil and gas assets is presented in Note 9 to the Condensed Consolidated 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 or reinject produced water at all our facilities 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 has in place Corporate Governance Policies that clearly define how we must conduct business. The best way to prevent corruption is through transparency - one of our core values. The Company has established a Code of Business Conduct and Anti-Corruption policies for all its employees, contractors, and workers. More information on Corporate Governance can be found in Maha's Corporate Governance Report in the 2019 Annual Report (page 36 – 40).

### 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 net result for the Parent Company for Q3 2020 amounted to TSEK -15,869 (Q3 2019: TSEK -3,658) which is higher than the comparative period partially due to higher exchange losses incurred as the US Dollars strengthened against the Swedish Krona and higher general and administrative costs resulting from main market listing related costs. The result includes general and administrative expenses of TSEK 4,980 (Q3 2019: TSEK 1,319), foreign currency exchange loss of TSEK 4,656 (Q3 2019: 4,341 gain) and net finance costs of TSEK 6,233 (Q3 2019: TSEK 5,866).

### Related Party Transactions

The Company did not enter into any material transactions with related parties during the current quarter.

### Subsequent Events

On 5 October 2020 the Company's wholly owned Subsidiary Maha Energy (Oman) Ltd entered into an Exploration and Production Sharing Agreement ("EPSA") with the government of the Sultanate of Oman, for Block 70, an onshore block that includes the shallow undeveloped Mafraq heavy oil field in Oman. Maha will be the operator of the Block and hold a 100% working interest. The EPSA is subject to a Royal Decree by His Majesty the Sultan of Oman which was granted on 28 October 2020 and communicated on 4 November, 2020. The EPSA covers an initial exploration period of three years with an optional extension period of another three years. In case of a commercial oil or gas discovery, the EPSA can be transformed into a fifteen-year production license which can be extended for another five years. The EPSA contains provisions on the parties' entitlement to produced oil, natural gas and condensate. Consideration for Block 70 is USD 10 million payable within 30 days of the Royal Decree.

***The financial information relating to the three and nine months ended 30 September 2020 has not been subject to review by the auditors of the Company.***

Approved by the Board

_\`\`Jonas Lindvall\`\`____________________
Jonas Lindvall, Director

_\`\`Harald Pousette\`\`____________________
Harald Pousette, Chairman

## Financial Statements

## Condensed Consolidated Statement of Operations

| *(TUSD) except per share amounts* | **Note** | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Oil and gas sales | 4 | **11,226** | 16,068 | **30,359** | 41,917 |
| Royalties | | **(1,746)** | (2,130) | **(4,392)** | (5,509) |
| | | **9,480** | 13,938 | **25,967** | 36,408 |
| **Cost of sales** | | | | | |
| Production expense | | **(2,439)** | (1,921) | **(6,691)** | (4,694) |
| Depletion, depreciation and amortization | 6 | **(1,530)** | (1,534) | **(4,018)** | (4,289) |
| **Gross profit** | | **5,511** | 10,483 | **15,258** | 27,425 |
| General and administration | | **(1,414)** | (1,268) | **(3,453)** | (4,052) |
| Stock-based compensation | 11 | **(93)** | (86) | **(253)** | (148) |
| Exploration and business development costs | | **(20)** | - | **(186)** | - |
| Foreign currency exchange gain (loss) | | **57** | 176 | **(86)** | 82 |
| Other Loss | | **-** | (287) | **-** | (287) |
| **Operating result** | | **4,041** | 9,018 | **11,280** | 23,020 |
| Net finance costs | 5 | **(1,285)** | (1,264) | **(3,643)** | (3,380) |
| **Result before tax** | | **2,756** | 7,754 | **7,637** | 19,640 |
| Current tax expense | | **(422)** | (850) | **(985)** | (1,766) |
| Deferred tax expense | | **(489)** | (334) | **(1,209)** | (899) |
| **Net result for the period** | | **1,845** | 6,570 | **5,443** | 16,975 |
| Earnings per share basic | | **0.02** | 0.07 | **0.05** | 0.17 |
| Earnings per share diluted | | **0.02** | 0.06 | **0.05** | 0.16 |
| Weighted average number of shares: | | | | | |
| Before dilution | | **101,478,706** | 99,429,829 | **101,282,417** | 99,006,993 |
| After dilution | | **106,578,727** | 109,173,814 | **106,658,182** | 108,061,849 |

## Condensed Consolidated Statement of Comprehensive Earnings

| *(TUSD)* | **Note** | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|---|
| **Net Result for the period** | | **1,845** | 6,570 | **5,443** | 16,975 |
| Items that may be reclassified to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | **(2,849)** | (5,715) | **(26,366)** | (4,626) |
| **Comprehensive result for the period** | | **(1,004)** | 855 | **(20,923)** | 12,349 |
| **Attributable to:** | | | | | |
| Shareholders of the Parent Company | | **(1,004)** | 855 | **(20,923)** | 12,349 |

## Condensed Consolidated Statement of Financial Position

| *(TUSD)* | **Note** | **30 SEPTEMBER 2020** | 31 DECEMBER 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **73,197** | 76,243 |
| Exploration and evaluation assets | 7 | **21,463** | 21,216 |
| Deferred tax assets | | **3,606** | 7,955 |
| Other long-term assets | | **455** | 178 |
| **Total non-current assets** | | **98,721** | 105,592 |
| | | | |
| **Current assets** | | | |
| Prepaid expenses and deposits | | **1,150** | 1,255 |
| Crude oil inventory | | **132** | 414 |
| Accounts receivable | 13 | **3,901** | 4,739 |
| Restricted cash | 17 | **994** | 1,567 |
| Cash and cash equivalents | | **18,034** | 22,450 |
| **Total current assets** | | **24,211** | 30,425 |
| | | | |
| **TOTAL ASSETS** | | **122,932** | 136,017 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Shareholder's equity** | 11 | **68,024** | 87,859 |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bonds payable | 8 | **-** | 30,621 |
| Decommissioning provision | 9 | **2,388** | 2,175 |
| Lease liabilities | 10 | **3,031** | 380 |
| Other long-term liabilities and provisions | | **5,582** | 7,812 |
| **Total non-current liabilities** | | **11,001** | 40,988 |
| | | | |
| **Current liabilities** | | | |
| Bonds payable | 8 | **32,730** | - |
| Accounts payable | | **5,079** | 4,533 |
| Accrued liabilities and other liabilities | | **4,986** | 2,406 |
| Current portion of lease liabilities | 10 | **1,112** | 231 |
| **Total current liabilities** | | **43,907** | 7,170 |
| | | | |
| **TOTAL LIABILITIES** | | **54,908** | 48,158 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **122,932** | 136,017 |

## Condensed Consolidated Statement of Cash Flows

| *(TUSD)* | **Note** | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Net result | | **1,845** | 6,570 | **5,443** | 16,975 |
| Depletion, depreciation and amortization | 6 | **1,530** | 1,534 | **4,018** | 4,289 |
| Stock based compensation | 11 | **93** | 86 | **253** | 148 |
| Accretion of decommissioning provision | 5,9 | **26** | 29 | **79** | 85 |
| Accretion of bond payable | 5 | **276** | 248 | **777** | 752 |
| Interest expense | | **1,015** | 940 | **2,885** | 2,877 |
| Income tax expense | | **422** | 850 | **985** | 1,766 |
| Deferred tax expense | | **489** | 334 | **1,209** | 899 |
| Unrealized foreign exchange amounts | | **(38)** | 30 | **612** | (592) |
| | | | | | |
| Interest received | | **31** | - | **96** | 162 |
| Interest paid | | **-** | - | **(1,849)** | (1,892) |
| Tax paid | | **(496)** | (423) | **(2,124)** | (1,385) |
| | | | | | |
| Changes in working capital | 15 | **(889)** | (230) | **1,149** | (533) |
| **Cash from operating activities** | | **4,304** | 9,968 | **13,533** | 23,551 |
| | | | | | |
| **Investing activities** | | | | | |
| Asset acquisition (net of cash) | 6 | **-** | - | **(4,152)** | - |
| Capital expenditures - property, plant and equipment | 6 | **(2,422)** | (8,988) | **(11,815)** | (21,877) |
| Capital expenditures - exploration and evaluation assets | 7 | **(62)** | (113) | **(247)** | (760) |
| Restricted cash | | **161** | (24) | **131** | (108) |
| **Cash used in investment activities** | | **(2,323)** | (9,125) | **(16,083)** | (22,745) |
| | | | | | |
| **Financing activities** | | | | | |
| Lease payments | 10 | **(50)** | 4 | **(165)** | (92) |
| Exercise of stock options and warrants (net of issue costs) | 11 | **204** | 426 | **836** | 1,223 |
| **Cash from financing activities** | | **154** | 430 | **671** | 1,131 |
| | | | | | |
| **Change in cash and cash equivalents** | | **2,135** | 1,273 | **(1,879)** | 1,937 |
| Cash and cash equivalents at the beginning of the period | | **15,699** | 20,504 | **22,450** | 20,255 |
| Currency exchange differences in cash and cash equivalents | | **200** | (1,356) | **(2,537)** | (1,771) |
| **Cash and cash equivalents at the end of the period** | | **18,034** | 20,421 | **18,034** | 20,421 |

## Condensed Consolidated Statement of Changes in Equity

| *(TUSD)* | Share Capital | Contributed Surplus | Other Reserves | Retained (Deficit) Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **120** | **63,009** | **(7,870)** | **14,015** | **69,274** |
| **Comprehensive result** | | | | | |
| Result for the period | - | - | - | 16,975 | 16,975 |
| Currency translation difference | - | - | (4,628) | - | (4,628) |
| Total comprehensive result | - | - | (4,628) | 16,975 | 12,347 |
| **Transactions with owners** | | | | | |
| Stock based compensation | - | 148 | - | - | 148 |
| Exercise of warrants and stock options (net of issue costs) | 2 | 1,222 | - | - | 1,224 |
| Total transactions with owners | 2 | 1,370 | - | - | 1,372 |
| **Balance at 30 September 2019** | **122** | **64,379** | **(12,498)** | **30,990** | **82,993** |
| **Comprehensive result** | | | | | |
| Result for the period | - | - | - | 2,679 | 2,679 |
| Currency translation difference | - | - | 1,726 | - | 1,726 |
| Total comprehensive result | - | - | 1,726 | 2,679 | 4,405 |
| **Transactions with owners** | | | | | |
| Stock based compensation | - | 59 | - | - | 59 |
| Exercise of warrants and stock options (net of issue costs) | - | 402 | - | - | 402 |
| Total transactions with owners | - | 461 | - | - | 461 |
| **Balance at 31 December 2019** | **122** | **64,840** | **(10,772)** | **33,669** | **87,859** |
| **Comprehensive result** | | | | | |
| Result for the period | - | - | - | 5,443 | 5,443 |
| Currency translation difference | - | - | (26,366) | - | (26,366) |
| **Total comprehensive result** | - | - | (26,366) | 5,443 | (20,923) |
| **Transactions with owners** | | | | | |
| Stock based compensation | - | 253 | - | - | 253 |
| Exercise of warrants (net of issue costs) | - | 835 | - | - | 835 |
| **Total transactions with owners** | - | 1,088 | - | - | 1,088 |
| **Balance at 30 September 2020** | **122** | **65,928** | **(37,138)** | **39,112** | **68,024** |

## Parent Company Statement of Operations

| (Expressed in thousands of Swedish Krona) | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|
| **Revenue** | - | - | - | - |
| **Expenses** | | | | |
| General and administrative | **(4,980)** | (1,319) | **(10,596)** | (4,526) |
| Stock-based compensation | **-** | (814) | **-** | (1,390) |
| Foreign currency exchange gain(loss) | **(4,656)** | 4,341 | **(12,703)** | 5,124 |
| **Operating result** | **(9,636)** | 2,208 | **(23,299)** | (792) |
| | | | | |
| Net finance costs | **(6,233)** | (5,866) | **(18,091)** | (15,463) |
| **Result before tax** | **(15,869)** | (3,658) | **(41,390)** | (16,255) |
| Income tax | **-** | - | **-** | - |
| **Net and comprehensive result for the period** | **(15,869)** | (3,658) | **(41,390)** | (16,255) |

## Parent Company Balance Sheet

| (Expressed in thousands of Swedish Krona) | **Note** | **30 September 2020** | 31 December 2019 | 30 September 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investment in subsidiaries | | **194,886** | 192,468 | 184,219 |
| Loans to subsidiaries | | **418,072** | 365,139 | 388,019 |
| | | **612,958** | 557,607 | 572,238 |
| **Current assets** | | | | |
| Loans to subsidiaries – current | | **3,689** | 7,358 | - |
| Accounts receivable and other | | **294** | 243 | 838 |
| Restricted cash | | **50** | 50 | 50 |
| Cash and cash equivalents | | **87,693** | 152,115 | 173,771 |
| | | **91,726** | 159,766 | 174,659 |
| **Total Assets** | | **704,684** | 717,373 | 746,897 |
| | | | | |
| **Equity and Liabilities** | | | | |
| **Restricted equity** | | | | |
| Share capital | | **1,116** | 1,113 | 1,107 |
| **Unrestricted equity** | | | | |
| Contributed surplus | | **514,907** | 504,682 | 500,249 |
| Retained earnings | | **(120,482)** | (79,092) | (51,394) |
| **Total unrestricted equity** | | **394,425** | 425,590 | 448,855 |
| | | | | |
| **Total equity** | | **395,541** | 426,703 | 449,962 |
| | | | | |
| **Non-current liabilities** | | | | |
| Bonds Payable | 8 | **-** | 286,037 | 283,641 |
| | | | | |
| **Current liabilities** | | | | |
| Bonds Payable | 8 | **293,346** | - | - |
| Accounts payable and accrued liabilities | | **15,797** | 4,633 | 13,294 |
| | | **309,143** | 4,633 | 13,294 |
| | | | | |
| **Total liabilities** | | **309,143** | 290,670 | 296,935 |
| **Total Equity and Liabilities** | | **704,684** | 717,373 | 746,897 |

## Parent Company Statement of Changes in Equity

| | Restricted equity | Unrestricted equity | | |
|---|---|---|---|---|
| *(Thousands of Swedish Krona)* | Share capital | Contributed surplus | Retained Earnings | Total Equity |
| **Balance at 1 January 2019** | **1,091** | **487,374** | **(35,139)** | **453,326** |
| Total comprehensive income | - | - | (16,255) | (16,255) |
| **Transaction with owners** | | | | |
| Stock based compensation | - | 1,390 | - | 1,390 |
| Exercise of warrants and stock options (net of issuance costs) | 16 | 11,485 | - | 11,501 |
| Total transaction with owners | 16 | 12,875 | - | 12,891 |
| **Balance at 30 September 2019** | **1,107** | **500,249** | **(51,394)** | **449,962** |
| Total comprehensive income | - | - | (27,698) | (27,698) |
| **Transaction with owners** | | | | |
| Stock based compensation | - | 565 | - | 565 |
| Exercise of warrants (net of issuance costs) | 6 | 3,868 | - | 3,874 |
| Total transaction with owners | 6 | 4,433 | - | 4,439 |
| **31 December 2019** | **1,113** | **504,682** | **(79,092)** | **426,703** |
| Total comprehensive income | - | - | (41,390) | (41,390) |
| **Transaction with owners** | | | | |
| Stock based compensation | - | 2,366 | - | 2,366 |
| Exercise of bond warrants (net of issuance costs) | 9 | 6,112 | - | 6,121 |
| Exercise of incentive warrants | 3 | 1,747 | | 1,750 |
| C2 shares cancellation | (9) | - | - | (9) |
| Total transaction with owners | 3 | 10,225 | - | 10,228 |
| **30 September 2020** | **1,116** | **514,907** | **(120,482)** | **395,541** |

## Notes to the Condensed Consolidated Financial Statements

### 1. Corporate information

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

The Company has operations in Brazil and the United States. The head office is located at Strandvägen 5A, SE-114 51 Stockholm, Sweden. The Company’s subsidiary, Maha Energy Inc., maintains its technical office at Suite 240, 23 Sunpark Drive SE, Calgary, Canada. The Company has an office in Rio de Janeiro, Brazil and operations offices in Grayville, IL and Newcastle, WY, USA.

### 2. Basis of presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and the Swedish Annual Accounts Act.

The unaudited interim condensed consolidated financial statements are stated in thousands of United States Dollars (TUSD), unless otherwise noted, which is the Company’s presentation and functional currency. These unaudited interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value.

The accounting principles as described in the Annual Report 2019 have been used in the preparation of this report. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

The financial reporting of the Parent Company (Maha Energy AB) has been prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 Reporting for legal entities, issued by the Swedish Financial Reporting Board and the Annual Accounts Act.

Under Swedish company regulations it is not allowed to report the Parent Company results in any other currency than Swedish Krona or Euro and consequently the Parent Company’s financial information is reported in Swedish Krona and not the Company’s presentation currency of US Dollar.

**Changes in Accounting Policies**
In October 2018, the IASB issued amendments to IFRS 3 "Definition of a Business" that narrowed and clarified the definition of a business. The amendments permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments apply to business combinations after the date of adoption. The Company adopted the amendments on January 1, 2020.

In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments make minor changes to the definition of the term "material" and align the definition across all IFRS Standards. Materiality is used in making judgments related to the preparation of financial statements. The Company adopted the amendments on January 1, 2020.

**Going Concern**
The Company prepared these consolidated 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.

## 3. 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 executive management. During the second quarter, the Company updated its segment reporting to align with the structure of its business following the acquisition of the Illinois Basin (See Note 6). The Company now has two reportable operating segments. Accordingly, all prior period operating segment results have been adjusted to reflect these changes.

Brazil: Includes all oil and gas activities of exploration and production in Tie Field and Tartaruga Field in Brazil.
USA: Includes all oil and gas activities in the LAK Field and Illinois Basin in the USA.
Corporate: Includes the corporate office in Sweden and Canada which Management views as the internal technical and support segment to the other two operating segments.
Eliminations segment primarily includes consolidations eliminations between segments.

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

| *(TUSD)* | Brazil | USA | Corporate | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **30 September 2020** | | | - | | |
| Revenue | 29,484 | 875 | - | - | 30,359 |
| Royalties | (4,184) | (208) | - | - | (4,392) |
| Production and operating | (6,159) | (532) | - | - | (6,691) |
| Depletion, depreciation and amortization | (3,656) | (341) | (21) | - | (4,018) |
| General and administration | (68) | (211) | (3,174) | - | (3,453) |
| Exploration and business development cost | - | (40) | (146) | - | (186) |
| Stock-based compensation | - | - | (253) | - | (253) |
| Foreign currency exchange loss (gain) | 533 | (5) | (472) | (142) | (86) |
| **Operating results** | **15,950** | **(462)** | **(4,066)** | **(142)** | **11,280** |
| Net finance costs | (1,706) | (14) | (1,923) | - | (3,643) |
| Current tax | (985) | - | - | - | (985) |
| Deferred tax | (1,209) | - | - | - | (1,209) |
| **Net results** | **12,050** | **(476)** | **(5,989)** | **(142)** | **5,443** |

| *(TUSD)* | Brazil | USA | Corporate | Eliminations | Consolidated |
|---|---|---|---|---|---|
| ***30 September 2019*** | | | | | |
| Revenue | 41,917 | - | - | - | 41,917 |
| Royalties | (5,509) | - | - | - | (5,509) |
| Production and operating | (4,694) | - | - | - | (4,694) |
| Depletion, depreciation and amortization | (4,213) | (66) | (10) | | (4,289) |
| General and administration | (1,203) | (138) | (2,711) | - | (4,052) |
| Stock-based compensation | - | - | (148) | - | (148) |
| Foreign currency exchange loss (gain) | 48 | - | 695 | (661) | 82 |
| Other loss | - | - | (287) | - | (287) |
| **Operating results** | **26,346** | **(204)** | **(2,461)** | **(661)** | **23,020** |
| Net finance costs | (1,723) | (12) | (1,645) | - | (3,380) |
| Current tax | (1,766) | - | - | - | (1,766) |
| Deferred tax | (899) | - | - | - | (899) |
| **Net results** | **21,958** | **(216)** | **(4,106)** | **(661)** | **16,975** |

## 4. Revenue

The Company derives revenue from the transfer of goods at a point in time in the following major commodities from oil and gas production in the geographic regions of Brazil and the USA:

| *TUSD* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|
| Brazil | | | | |
| Crude oil | **10,615** | 15,849 | **29,158** | 41,440 |
| Natural gas | **93** | 177 | **326** | 435 |
| Other | **-** | 42 | **-** | 42 |
| Brazil oil and gas sales | **10,708** | 16,068 | **29,484** | 41,917 |
| United States oil sales | **518** | - | **875** | - |
| **Total revenue from contracts with customers** | **11,226** | 16,068 | **30,359** | 41,917 |

Revenue is measured at the consideration specified in the contracts and represents amounts receivable net of discounts and sales taxes. Performance obligations associated with the sale of crude oil are satisfied when control of the product is transferred to the customer. This occurs when the oil is physically transferred at the delivery point agreed with the customer and the customer obtains legal title.

The Company had two main customers during Q3 2020 (Q3 2019: two) that individually accounted for more than 10 percent of the Company's consolidated gross sales. Total sales to these customers for the nine months of 2020 were approximately USD $29.1 million (Nine months 2019: $41.2 million), which are included in the Company's Brazil operating segment. Approximately, 64 percent of the total revenue is contracted with one customer in the Brazil segment. There were no intercompany sales or purchases of oil and gas during the period.

The Company had no contract asset or liability balances during the period presented. As at 30 September 2020, accounts receivable included $2.6 million of accrued sales revenue which related to the third quarter production.

LAK revenue, net of expenditures, is capitalized as part of the exploration and evaluation assets and will continue until commercial viability of the field is achieved as the property is still in pre-production stage.

## 5. Finance Costs

| *TUSD* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|
| Interest on bond payable | **1,010** | 938 | **2,870** | 2,872 |
| Accretion of bond payable (Note 8) | **276** | 248 | **777** | 752 |
| Accretion of decommissioning provision | **26** | 29 | **79** | 85 |
| Interest expense | **5** | 49 | **15** | 4 |
| Interest income | **(32)** | - | **(98)** | (333) |
| | **1,285** | 1,264 | **3,643** | 3,380 |

## 6. Property, Plant and Equipment (PP&E)

| *(TUSD)* | Oil and gas properties | Equipment and Other | Right-of-use assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **1 January 2019** | **62,125** | **2,061** | **427** | **64,613** |
| Additions | 24,615 | 118 | 413 | 25,146 |
| Change in decommissioning cost | 436 | - | - | 436 |
| Currency translation adjustment | (3,259) | (16) | (27) | (3,302) |
| **31 December 2019** | **83,917** | **2,163** | **813** | **86,893** |
| Additions | 13,550 | 108 | 4,737 | 18,395 |
| Acquisition | 4,538 | - | - | 4,538 |
| Change in decommissioning cost | 463 | - | - | 463 |
| Currency translation adjustment | (25,270) | (156) | (316) | (25,742) |
| **30 September 2020** | **77,198** | **2,115** | **5,234** | **84,547** |
| | | | | |
| **Accumulated depletion, depreciation and amortization** | | | | |
| **1 January 2019** | **(4,919)** | **(433)** | **-** | **(5,352)** |
| DD&A | (5,179) | (288) | (204) | (5,671) |
| Currency translation adjustment | 347 | 24 | 2 | 373 |
| **31 December 2019** | **(9,751)** | **(697)** | **(202)** | **(10,650)** |
| DD&A | (3,757) | (49) | (150) | (3,956) |
| Currency translation adjustment | 3,135 | 49 | 72 | 3,256 |
| **30 September 2020** | **(10,373)** | **(697)** | **(280)** | **(11,350)** |
| | | | | |
| **Carrying amount** | | | | |
| 31 December 2019 | 74,166 | 1,466 | 611 | 76,243 |
| **30 September 2020** | **66,825** | **1,418** | **4,954** | **73,197** |

Given the recent change in the overall business environment and current decrease in the global crude oil markets, the Company identified an indication of impairment for all its cash generating units ("CGUs") as at 31 March 2020 and impairment tests were performed. The Company used appropriate externally available forward commodity price forecasts as at 31 March 2020, a future cost inflation factor of 2% per annum, production and cost profiles based on proved and probable reserves (2P reserves) as at 31 December 2019 and a discount rate of 10% to calculate the estimated future cash flows. As a result of the testing, the Company had determined the carrying value of all of its CGUs to be recoverable at 31 March 31 2020 and no impairments were recorded. Sensitivity scenarios were run and showed that a USD 2/bbl decrease in the oil price curve from the forward prices as at 31 March 2020 would result in no impairment and the use of a discount rate of 12% would result in no impairment.

As at 30 September 2020, there were no triggers to perform an impairment test as the oil prices started to recover from the first quarter onwards.

**Dome AB Inc Acquisition**

On 31 March 2020, the Company acquired certain oil producing assets in the Illinois Basin, USA, through the purchase of all outstanding shares in Dome AB Inc. ("Dome Acquisition") for a cash consideration of USD $4.0 million and assumption of TUSD 319 in net current liabilities. In addition, Maha capitalized TUSD 151 in the transaction costs. A future contingent consideration of USD 3.0 million is possible if certain oil prices and production level milestones are met before 2023. Maha and its subsidiaries are under no obligation to reach the production level set out for the production milestone. The acquisition resulted in an increase PP&E of approximately TUSD 4,538, the assumption of TUSD 68 in decommissioning liabilities and TUSD 319 in working capital deficiency. The assets acquired strengthened the Company's operating position in the USA.

The Company applied the optional IFRS3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

## 7. Exploration and Evaluation Assets (E&E)

| | TUSD |
|---|---:|
| **1 January 2019** | **20,685** |
| Additions in the period | 165 |
| Change in estimates | (56) |
| Operating costs capitalized<br>(net of Incidental revenue from sale of crude oil) | 422 |
| **31 December 2019** | **21,216** |
| Additions in the period | 322 |
| Incidental result from sale of crude oil | (75) |
| **30 September 2020** | **21,463** |

## 8. Bond payable

| | TUSD | TSEK |
|---|---:|---:|
| **1 January 2019** | **31,180** | **276,573** |
| Accretion of bond liability | 1,001 | 9,464 |
| Effect of currency translation | (1,560) | - |
| **31 December 2019** | **30,621** | **286,037** |
| Accretion of bond liability | 777 | 7,309 |
| Effect of currency translation | 1,332 | - |
| **30 September 2020** | **32,730** | **293,346** |

For the third quarter 2020 Maha recognized TUSD 1,010 of interest and TUSD 276 of accretion related to the Bonds. During the second quarter, the bonds were classified as current liability as the bonds are set to mature on May 29, 2021.

The Bonds have the following maintenance covenants at each quarter end and on a rolling 12 months basis:

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

The next reference test date for the maintenance covenants was 30 September 2020 which is to be reported following the release of this report and within two months following such reference date. As at the last reference date of 30 June 2020, the Company was compliant with all bond covenants. Based on the reported results herein, the Company will be complaint with its bond covenants for the current period.

## 9. Decommissioning Provision

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

| | **(TUSD)** |
|---|---|
| **1 January 2019** | **1,720** |
| Accretion expense | 116 |
| Additions | 185 |
| Change in estimate | 194 |
| Foreign exchange movement | (40) |
| **31 December 2019** | **2,175** |
| Accretion expense | 79 |
| Additions | 76 |
| Dome Acquisition (Note 6) | 68 |
| Change in estimate | 387 |
| Foreign exchange movement | (397) |
| **30 September 2020** | **2,388** |

## 10. Lease Liability

| (TUSD) | |
|---|---|
| **As at 1 January 2019** | **427** |
| Additions | 411 |
| Interest expense | 5 |
| Lease payments | (210) |
| Foreign currency translation | (22) |
| **31 December 2019** | **611** |
| Additions | 3,813 |
| Interest expense | 15 |
| Lease payments | (165) |
| Foreign currency translation | (131) |
| **30 September 2020** | **4,143** |
| | |
| Less current portion | 1,112 |
| Lease liability – non current | 3,031 |

The Company has lease liabilities for contracts related to office space, equipment and gas compressors. Lease terms are negotiated on an individual basis and contain wide range of different terms and conditions. Discount rates during the current nine-month period were between 7% and 15%.

During the current quarter, the Company entered into a 5-year lease agreement with Enerflex to lease 2 HP Ariel Compressors units. The lease commenced during the month of September and the associated ROU asset and lease liability was recognized during the quarter. The value of the recorded right-of-use asset will be depreciated over the 5-year term of the contract.

## 11. Share Capital

| | Number of Shares by Class | | | |
|---|---|---|---|---|
| Shares outstanding | A | B | C2 | Total |
| **1 January 2019** | **90,259,168** | **8,109,882** | **50,000** | **98,419,050** |
| Exercise of warrants | 1,997,818 | - | - | 1,997,818 |
| Conversion of convertible B shares | 149,564 | (149,564) | - | - |
| Exercise of Maha (Canada) options | 50,000 | | (50,000) | - |
| **31 December 2019** | **92,456,550** | **7,960,318** | **-** | **100,416,868** |
| Exercise of bond warrants | 839,630 | - | - | 839,630 |
| Conversion of convertible B shares | 7,476,952 | (7,476,952) | - | - |
| Exercise of incentive warrants | 250,000 | - | - | 250,000 |
| **30 September 2020** | **101,023,132** | **483,366** | **-** | **101,506,498** |

Total outstanding warrants as at 30 September 2020 are Maha A TO2 share purchase warrants:

| | Number of Warrants | Exercise Price | Exercise Price |
|---|---|---|---|
| | # | SEK | USD |
| **1 January 2019** | **13,350,000** | **7.45** | **0.84** |
| Exercised | (1,997,818) | 7.45 | 0.78 |
| **31 December 2019** | **11,352,182** | **7.45** | **0.80** |
| Exercised – Q1 | (827,500) | 7.45 | 0.78 |
| Exercised – Q2 | (6,446) | 7.45 | 0.74 |
| Exercised – Q3 | (5,684) | 7.45 | 0.82 |
| **30 September 2020** | **10,512,552** | **7.45** | **0.83** |

**Warrant Incentive Program**

The Company has an incentive program as part of the remuneration package for management and employees. The annual 2020 incentive warrants were issued during the second quarter 2020. Issued but not allocated warrants are held by the Company. No incentive warrants were expired during the nine months of 2020.

| Warrants incentive programme | Exercise period | Exercise price, SEK | Number of warrants<br>1 Jan 2020 | Issued 2020 | Expired 2020 | Exercised 2020 | Cancelled 2020 | **30 September 2020** |
|---|---|---|---|---|---|---|---|---|
| 2017 incentive programme | 1 September 2020 – 31 December 2020 | 7.00 | 750,000 | - | - | (250,000) | - | **500,000** |
| 2018 incentive programme | 1 May 2021 – 30 November 2021 | 9.20 | 750,000 | - | - | - | - | **750,000** |
| 2019 incentive programme | 1 September 2022 – 28 February 2023 | 28.10 | 500,000 | - | - | - | - | **500,000** |
| 2020 incentive programme | 1 September 2023 – 29 February 2024 | 10.90 | - | 460,000 | - | - | - | **460,000** |
| **Total** | | | **2,000 ,000** | **460,000** | **-** | **(250,000)** | **-** | **2,210,000** |

The dilution effect of in-the-money warrants are included in the weighted average number of shares after dilution which amounted to 106,658,182 for the period ended 30 September 2020.

## 12. Financial assets and liabilities

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.

The Company's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are assessed on fair value hierarchy described above. The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. The bonds are carried at amortized cost. For the disclosure purposes, the estimated fair values of the bonds have been determined based on the adjusted period-end trading prices of the bonds on the secondary market (Level 2). As at 30 September 2020, the carrying value of the Bonds was TUSD 32,730 and the fair value was TUSD 33,930 (31 December 2019: carrying value – TUSD 30,621; fair value – TUSD 34,519).

## 13. Management of financial risk

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. This approach actively addresses risk as an integral and continual part of decision making within the Company and is designed to ensure that all risk is identified, fully acknowledged, understood and communicated well in advance. Nevertheless, oil and gas exploration, development and production involve high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to fully eliminate or which are beyond the Company's control. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management.

A detailed analysis of Maha's operational, financial, and external risks and mitigation of those risks through risk management is described in Maha Energy's 2019 Annual Report. The current and any future COVID-19 outbreaks may increase the Company's exposure to, and magnitude of, each of the risks and uncertainties identified in our Annual Report for the year ended December 31, 2019. The extent to which the COVID-19 impacts Maha's business, results of operations and financial conditions will depend on future developments, which are highly uncertain and are difficult to predict. Even after the COVID-19 outbreaks have subsided, the Company may continue to experience materially adverse impacts to the business as a result of the global economic impact. The Company will continue to monitor this situation and will work to adapting its business to further developments as determined necessary or appropriate.

*Credit risk*

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Corporation. The Company's policy is to limit credit risk by limiting the counterparties to major banks and oil and gas companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale or prepayment. The policy on joint operations parties is to rely on the provisions of the underlying joint operating agreements to take possession of the license or the joint operations partner's share of production for non-payment of cash calls or other amounts due.

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 marketing agreement with DAX Oil, most of the oil sales are prepaid prior to delivery with occasional credit granted to maintain daily deliveries. In addition, the Company has made an arrangement with DAX Oil to accumulate an amount up to maximum of TUSD 900 in accounts receivable which is guaranteed through a performance Bonds issued by a local bonding company and is expected to be fully recoverable. As at 30 September 2020, TUSD 145 (31 December 2019 - TUSD 963) from DAX Oil were included in accounts receivables.

The Company's accounts receivable is composed of:

| *TUSD* | **30 September 2020** | **31 December 2019** |
|---|---:|---:|
| Oil and gas sales | 2,570 | 4,394 |
| Tax and other receivables | 1,331 | 345 |
| | **3,901** | **4,739** |

The decrease in commodity prices as a result of the COVID -19 pandemic can potentially increase the credit risk associated with the Company's customers. Maha continues to monitor the creditworthiness of customers to limit the exposure to this risk. There is no recent history of default and there are no expected losses. Maha considers the balance of accounts receivable to be collectible.

Other short-term receivables are considered recoverable as they are mainly related to taxes and employee advances. Any tax advances paid would offset future taxes payable. The Company's cash and cash equivalents are primarily held at large Canadian, Brazilian and Swedish financial institutions.

*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 Bonds issues, and financed by asset divestment. Additional capital could be needed to finance the Company's future operations and/or for acquisition of additional licenses. The main risk is that this need could occur during less favorable market conditions.

While the decrease in commodity prices as a result of the COVID-19 pandemic will negatively impact the Company's financial performance and position, and while the extent of this is currently unknown, the Company continuously ensures that sufficient cash balances are maintained in order to cover day to day operations and closely monitors its accounts receivables with customers. Management relies on cash forecasting to assess the Company's cash position based on expected future cash flows and to assess its ability to perform its contractual obligation. Accounts payable relating to oil and gas interests, and current interest on the Bonds are due within the current operating period. The Bond 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 Bond (see Note 8).

The Company has current assets of $24.2 million, positive cash flow from operating activities and current liabilities of $43.9 million which includes the maturing bond in less than a year. The Bond is due on May 29, 2021 and there is risk that the Company either has insufficient funds to settle the principal amount of the Bond or is unable to successfully refinance or rollover the Bond for an additional term.

## 14. Management of Capital

The Company manages its capital structure to support the Company's strategic growth. The Company's objectives when managing its capital structure are to maintain financial flexibility, preserve access to capital markets, ensure its ability to finance internally generated growth and to fund potential acquisitions while maintaining the ability to meet the Company's financial obligations as they come due. The Company considers its capital structure to include shareholders' equity of USD $68.0 million (31 December 2019: USD $87.9 million) plus net debt of USD $14.7 million (31 December 2019: 8.2 million). At 30 September 2020, the Company's working capital was USD $13.0 million (31 December 2019: USD $23.3 million surplus), which includes USD $18.0 million of cash (31 December 2019: USD $22.5 million) and USD $1.0 million of restricted cash (31 December 2019: $1.6 million). The restricted cash relates to cash posted in Brazil to guarantee letters of credit for certain work commitments and support of abandonment guarantees. Maha considers working capital operational in nature therefore working capital excluded the current portion of the Bonds payables, which corresponds to financing activities of the Company.

The Company may adjust its capital structure by issuing new equity or debt and adjusting its capital expenditure program, as allowed pursuant to contracted work commitments. The Company does not have any externally imposed material capital requirements to which it is subject except for the Bond covenants (See Note 8). 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.

The Bonds mature in May 2021 and Maha is compliant with all Bond covenants. There is risk that the Company either has insufficient funds to settle the principal amount of the Bond or is unable to successfully refinance or rollover the Bond for an additional term. At this time, the Company expects to refinance or repay the Bonds through either existing cash, future operating cashflows, or issuance of new debt or equity.

## 15. Changes in non-cash Working Capital

| *(TUSD)* | **30 September 2020** | **31 December 2019** |
|---|---:|---:|
| Change in: | | |
| Accounts receivable | 844 | (619) |
| Inventory | 98 | (340) |
| Prepaid expenses and deposits | 109 | (569) |
| Accounts payable and accrued liabilities | 98 | 812 |
| **Total** | **1,149** | **(716)** |

## 16. Pledged Assets

As at 30 September 2020, 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 30 September 2020 amounted to SEK 209.8 million (31 December 2019: SEK 186.2 million) representing the carrying value of the pledge over the shares of subsidiaries. The combined net asset value for the Group of the subsidiaries whose shares are pledged amounted to USD 68.8 million (31 December 2019: USD 83.6 million).

The Company also granted a charge against a term deposit in Brazil to guarantee certain financial instruments in relation to its work commitments (See Note 17).

## 17. Commitments and Contingencies

The Company currently has 6 concession agreements with the National Agency of Petroleum, Natural Gas and Biofuels in Brazil (ANP). Work commitments in relation to these exploration blocks in Brazil have been recorded as long-term provisions and are guaranteed with certain credit instruments in place of approximately BRL 21.1 million (USD $3.7 million) and the remainder BRL 5.0 million are guaranteed by a term deposit of USD $1.0 million (2019: $1.6 million). This term deposit has been presented as restricted cash on the Statement of Financial Position. Change in the value of the restricted cash is mainly due to fluctuating foreign exchange impact. In addition, the Company also has a credit instrument guarantee in place for the abandonment of the Tie field in the amount of BRL 1.9 million.

During 2019, Maha received the pending environmental licenses on two of its concessions resulting in a requirement to fulfill its work commitments by the first quarter of 2021 or relinquish the blocks. 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. The Company has received an extension to November 2021 to fulfill its work commitments or relinquish the blocks under the COVID-19 relief program by the Brazil Government.

As part of the Dome Acquisition (See Note 6), the Company acquired contractual commitments to drill one well and to complete a drilled but uncompleted well. This activity is scheduled for the fourth quarter of this year. Other commitments have been successfully rescheduled to fiscal year 2021.

## 18. Subsequent Event

On 5 October 2020 the Company's wholly owned Subsidiary Maha Energy (Oman) Ltd entered into an Exploration and Production Sharing Agreement ("EPSA") with the government of the Sultanate of Oman, for Block 70, an onshore block that includes the shallow undeveloped Mafraq heavy oil field in Oman. Maha will be the operator of the Block and hold a 100% working interest. The EPSA is subject to a Royal Decree by His Majesty the Sultan of Oman which was granted on 28 October 2020 and communicated on 4 November, 2020. The EPSA covers an initial exploration period of three years with an optional extension period of another three years. In case of a commercial oil or gas discovery, the EPSA can be transformed into a fifteen-year production license which can be extended for another five years. The EPSA contains provisions on the parties' entitlement to produced oil, natural gas and condensate. Consideration for Block 70 is USD 10 million payable within 30 days of the Royal Decree.

### Key Financial Data

Maha believes that the alternative performance measures provide useful supplemental information to management, investors, securities analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of Maha's business operational.

**Financial data**

| *TUSD* | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|
| Revenue | **11,226** | 16,068 | **30,359** | 41,917 |
| Operating netback | **7,041** | 12,017 | **19,276** | 31,714 |
| EBITDA | **5,514** | 10,663 | **15,384** | 27,514 |
| Net result | **1,845** | 6,570 | **5,443** | 16,975 |
| Cash flow from operations | **4,304** | 9,968 | **13,533** | 23,551 |
| Free cash Flow | **1,981** | 843 | **(2,550)** | 806 |
| Net debt (TUSD) | **14,696** | 8,434 | **14,696** | 8,434 |

**Key ratios**

| | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|
| Return on equity (%) | **3** | 8 | **8** | 20 |
| Equity ratio (%) | **55** | 62 | **55** | 62 |
| NIBD/EBITDA | **0.62** | 0.23 | **0.62** | 0.23 |
| TIBD/EBITDA | **1.38** | 0.80 | **1. 38** | 0.80 |

**Data per share**

| | **Q3 2020** | Q3 2019 | **Nine Months 2020** | Nine Months 2019 |
|---|---|---|---|---|
| Weighted number of shares (before dilution) | **101,478,706** | 99,429,829 | **101,282,417** | 99,006,993 |
| Weighted number of shares (after dilution) | **106,578,727** | 109,173,814 | **106,658,182** | 108,061,849 |
| Earnings per share before dilution, USD | **0.02** | 0.07 | **0.05** | 0.17 |
| Earnings per share after dilution, USD | **0.02** | 0.06 | **0.05** | 0.16 |
| Dividends paid per share | **n/a** | n/a | **n/a** | n/a |

***Relevant reconciliation of Alternative Performance Measures:***

#### Operating Netback

| *(TUSD)* | **Q3 2020** | Q3 2019 | **NINE MONTHS 2020** | NINE MONTHS 2019 |
|---|---|---|---|---|
| Revenue | **11,226** | 16,068 | **30,359** | 41,917 |
| Royalties | **(1,746)** | (2,130) | **(4,392)** | (5,509) |
| Operating Expenses | **(2,439)** | (1,921) | **(6,691)** | (4,694) |
| **Operating netback** | **7,041** | 12,017 | **19,276** | 31,714 |

EBITDA

| *(TUSD)* | **Q3 2020** | Q3 2019 | **NINE MONTHS 2020** | NINE MONTHS 2019 |
|---|---|---|---|---|
| Operating results | **4,041** | 9,305 | **11,280** | 23,307 |
| Depletion, depreciation and amortization | **1,530** | 1,534 | **4,018** | 4,289 |
| Foreign currency exchange loss / (gain) | **(57)** | (176) | **86** | (82) |
| **EBITDA** | **5,514** | 10,663 | **15,384** | 27,514 |

Free cash flow

| *(TUSD)* | **Q3 2020** | Q3 2019 | **NINE MONTHS 2020** | NINE MONTHS 2019 |
|---|---|---|---|---|
| Cash flow from operating activities | **4,304** | 9,968 | **13,533** | 23,551 |
| Less: cash used in investing activities | **(2,323)** | (9,125) | **(16,083)** | (22,745) |
| **Free cash flow** | **1,981** | 843 | **(2,550)** | 806 |

Net debt

| *(TUSD)* | **Q3 2020** | Q3 2019 | **NINE MONTHS 2020** | NINE MONTHS 2019 |
|---|---|---|---|---|
| Bonds payable | **32,730** | 28,855 | **32,730** | 28,855 |
| Less: cash and cash equivalents | **(18,034)** | (20,421) | **(18,034)** | (20,421) |
| **Net debt** | **14,696** | 8,434 | **14,696** | 8,434 |

***Key Ratio Definition***

**Cash flow from operations:** Cash flow from operating activities in accordance with the consolidated statement of cash flow.

**EBITDA (Earnings before interest, taxes, depreciation, and amortization):** Operating profit before depletion of oil and gas properties, depreciation of tangible assets, foreign currency exchange adjustments, interest and taxes.

**Earnings per share:** Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year.

**Earnings per share fully diluted:** Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares after considering any dilution effect for the year.

**Equity ratio:** Total equity divided by the balance sheet total assets.

**Free cash flow:** Cash flow from operating activities less cash flow from investing activities in accordance with the consolidated statement of cash flow.

**Net debt:** Interest bearing bonds less cash and cash equivalents.

**Net debt to EBITDA ratio (NIBD/EBITDA):** Net interest bearing debt divided by trailing 4 quarters EBITDA.

**Operating netback:** Operating netback is defined as revenue less royalties and operating expenses.

**Return on equity:** Net result divided by ending equity balance

**Total debt to EBITDA ratio (TIBD/EBITDA):** Total interest bearing debt divided by trailing 4 quarters EBITDA.

**Weighted average number of shares for the year:** The number of shares at the beginning of the year with changes in the number of shares weighted for the proportion of the year they are in issue.

**Weighted average number of shares for the year fully diluted:** The number of shares at the beginning of the year with changes in the number of shares weighted for the proportion of the year they are in issue after considering any dilution effect.

## Financial calendar

2020 Fourth Quarter: 26 February 2021
2020 Annual Report: 19 April 2021
2021 First Quarter: 26 May 2021
2021 Second Quarter: 23 August 2021
2021 Third Quarter: 22 November 2021

## Contact information

**For further information please contact:**

**Jonas Lindvall (CEO)**
Tel: +46 8 611 05 11
Email: jonas@mahaenergy.ca

**Andres Modarelli (CFO)**
Tel: +46 8 611 05 11
Email: andres@mahaenergy.ca

**Victoria Berg (Investor Relations)**
Tel: +46 8 611 05 11
Email: victoria@mahaenergy.ca

**Maha Energy AB**

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|---|---|
| **Head Office** | Strandvagen 5A<br>SE-114 51 Stockholm, Sweden<br>(08) 611 05 11 |
| **Technical Office** | Suite 240, 23 Sunpark Drive SE<br>Calgary, Alberta T2X 3V1<br>403-454-7560 |
| **Email:** | info@mahaenergy.ca |