

Maha Energy AB Announces Filing of Fourth Quarter 2022 Report & Live Webcast

Maha Energy AB (publ) (“Maha” or the “Company”) is pleased to announce its fourth quarter results. The report is attached to this press release and available on the Company’s website at www.mahaenergy.ca.

Highlights

(all amounts are in US dollars unless otherwise noted)

Fourth Quarter 2022

- The Company announced the signing of a binding term sheet envisioning a business combination with DBO 2.0 and expecting to close after obtaining the approval on Maha’s EGM on 29 March 2023.
- The Company announced the sale of its Brazilian subsidiary for a total consideration of USD 186.9 million, with a purchase price of USD 138 million plus USD 9.3 million in net working capital adjustment, USD 3.7 million net cash adjustment, and USD 36.1 million to be paid upon successful achievement of earnout milestones.
- The Company successfully completed a directed new share issue of 23.9 million shares and raised proceeds of approximately USD 20.0 million to reinforce the balance sheet.
- Three new executive managers appointed, including new CEO, CFO and CLO.
- Daily oil & gas production for Q4 2022 averaged 2,621 BOEPD (Q4 2021: 3,098 BOEPD) of which continuing operations averaged 280 BOEPD (Q4 2021: 247 BOEPD) and discontinued operations averaged 2,341 BOEPD (Q4 2021: 2,851).
- Revenue of 17.3 million (Q4 2021: 17.8 million) of which 2.0 million (Q4 2021: 2.0 million) relates to the continuing operations and 15.3 million (Q4 2021: 15.8 million) relates to discontinued operations.
- Operating netback of 9.8 million (Q4 2021: 11.9 million) of which 1.0 million (Q4 2021: 1.1 million) relates to the continuing operations and 8.8 million (Q4 2021: 10.8 million) relates to the discontinued operations.
- EBITDA of 8.8 million (Q4 2021: USD 15.6 million) of which -1.3 million (Q4 2021: -0.5 million) relates to the continuing operations and 10.1 million (Q4 2021: 16.1 million) relates to the discontinued operations.
- Net result of 0.1 million (Q4 2021: USD 7.4 million) of which -3.6 million (Q4 2021: -3.8 million) relates to the continuing operations and 3.7 million (Q4 2021: 11.1 million) relates to the discontinued operations.
- Basic and Diluted earnings per share of 0.00 (Q4 2021: 0.06) of which basic and diluted earnings per share for the continued operations is -0.03 (Q4 2021: -0.03) and basic and diluted earnings per share for the discontinued operations is 0.03 (Q4 2021: 0.09).

Full Year 2022

- Daily oil & gas production averaged 3,213 BOEPD in 2022 (2021: 3,387 BOEPD) of which continuing operations averaged 401 BOEPD (2021: 212 BOEPD) and discontinued operations averaged 2,812 BOEPD (2021: 3,175).
- Revenue in 2022 of 89.8 million (2021: 68.3 million) of which 12.3 million (2021: 5.7 million) relates to the continuing operations and 77.5 million (2021: 62.6 million) relates to discontinued operations.
- Operating netback in 2022 of 60.7 million (2021: 46.1 million) of which 6.5 million (2021: 2.9 million) relates to the continuing operations and 54.2 million (2021: 43.2 million) relates to the discontinued operations.
- EBITDA in 2022 of 55.1 million (2021: 47.7 million) of which -0.4 million (2021: -2.2 million) relates to the continuing operations and 55.5 million (2021: 49.9 million) relates to the discontinued operations.

- Net result for 2022 of 22.9 million (2021: 21.6 million) of which -12.5 million (2021: -13.3 million) relates to the continuing operations and 35.4 million (2021: 34.9 million) relates to the discontinued operations.
- Basic and Diluted Earnings per share in 2022 of 0.19 (2021: 0.19) of which basic and diluted earnings per share for the continued operations is -0.10 (2021: -0.12) and basic and diluted earnings per share for the discontinued operations is 0.29 (2021: 0.31).
- Cash and cash equivalents balance on 31 December 2022 of USD 23.2 million (2021: USD 25.5 million) of which 19.5 million (2021: 18.4 million) relates to the continuing operations and 3.7 million (2021: 7.2 million) relates to the discontinued operations.

Financial Summary

The table below relate to continuing and discontinued operations combined:

<i>(TUSD, unless otherwise noted)</i>	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	FY 2022	FY 2021
Net Daily Production (BOEPD)	2,621	2,389	3,292	4,580	3,098	3,213	3,387
Revenue	17,271	17,657	24,018	30,831	17,818	89,777	68,306
Operating netback	9,796	10,998	17,408	22,528	11,913	60,729	46,060
EBITDA	8,765	9,648	14,621	22,069	15,615	55,101	47,725
Net result for the period	93	2,593	8,219	12,030	7,363	22,933	21,587
Earnings per share – Basic & Diluted (USD)	0.00	0.02	0.07	0.10	0.06	0.19	0.19
Cash and cash equivalents	23,228	11,338	23,863	29,416	25,535	23,228	25,535

The table below presents the highlights of the continuing operations:

<i>(TUSD, unless otherwise noted)</i>	Q4 2022	Q4 2021	FY 2022	FY 2021
Net Daily Production (BOEPD)	280	247	401	212
Revenue	1,991	1,978	12,327	5,732
Operating netback	1,002	1,096	6,523	2,882
EBITDA	(1,335)	(522)	(420)	(2,201)
Net result for the period	(3,579)	(3,774)	(12,529)	(13,339)
Earnings per share – Basic & Diluted (USD)	(0.03)	(0.03)	(0.10)	(0.12)
Cash and cash equivalents	19,520	18,370	19,520	18,370

The table below presents the highlights of the discontinued operations:

<i>(TUSD, unless otherwise noted)</i>	Q4 2022	Q4 2021	FY 2022	FY 2021
Net Daily Production (BOEPD)	2,341	2,851	2,812	3,175
Revenue	15,280	15,840	77,450	62,574
Operating netback	8,794	10,817	54,206	43,178
EBITDA	10,100	16,137	55,521	49,926
Net result for the period	3,672	11,137	35,462	34,926
Earnings per share – Basic & Diluted (USD)	0.03	0.09	0.29	0.31
Cash and cash equivalents	3,708	7,165	3,708	7,165

Letter to shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

The fourth quarter of 2022 triggered a transformational moment for Maha with the incorporation as shareholder of the Investment Fund managed by Starboard, a Brazilian private equity firm, becoming the largest shareholder with 19.9% ownership. This significant change on Maha's shareholder structure, board of directors and management, brought renewed leadership and sectorial expertise with successful track-record in the Latin American energy industry.

Among the changes that happened since last November, it is important to highlight the following events:

1. Changes in the Board of Directors: Three new directors were indicated as Maha's Board Members with an extensive general management and finance background in the energy industry, specifically in junior oil & gas companies (Fabio Vassel and I are both former founders and chairmen of 3R Petroleum, a USD 2.0 billion Brazilian oil & gas listed company);
2. Changes in the Management: Three new executive managers joined Maha in the last quarter:
 - a. I, Paulo Mendonça was also indicated as Chief Executive Officer, renewing Maha's leadership;
 - b. Bernardo Guterres was indicated as the new Chief Finance Officer of Maha, bringing all his knowledge and expertise from a 15-year career within top tier international banks and high ranked Brazilian private equity firms, with the mission of optimizing the Company's current capital structure and to lead the exciting and important M&A strategy;
 - c. Barbara Bittencourt was indicated as Chief Legal and Compliance Officer, a new executive position in the Company. The main objective was to bring technical and legal support within a sector that have lots of complex regulatory frameworks throughout different countries. Barbara has an extensive career as partner in top tier legal firms, with the past 10 years exclusively dedicated to the oil & gas market.
3. In the beginning of December 2022, Maha and DBO 2.0 ("DBO") signed a binding term sheet envisioning a business combination among the companies. DBO has 15% equity interest in 3R Offshore, which owns and operates two offshore clusters in Brazil - Papa Terra and Peroá. When closed, this deal shall bring an interesting value for Maha's shareholders as it will be executed at an attractive entry multiple of 0.2x P/NAV (issuance of 36.8 million shares). Upon closing, this transaction will increase Maha's net 2P reserves with ~18.5 million BOE and is estimated to add ~2,000 BOEPD net production in 2023 with further upside through ramp-up at Papa Terra, and Peroá fields, as well as the potential Malombe development (part of Peroá cluster). The transaction reinforces the construction of a diversified portfolio balanced between mature oil and gas onshore and offshore assets with a cash-flow oriented approach. The closing of this transaction is expected to happen after the approval on Maha's EGM on 29 March 2023.
4. During mid December 2022, Maha successfully raised approximately USD 19 million (net of fees) through a direct share issue, improving and enhancing its previous capital structure and bringing a new base of shareholders that have a long-term investment profile. This capital raise strengthened the Company's investor base, attracting new institutional and international investors.
5. During the last week of December 2022, Maha signed the sale of its Brazilian subsidiary Maha Brazil to Petroreconcavo, a Brazilian listed junior oil & gas company with current market cap of approximately USD 2.0 billion, for total acquisition consideration that can reach USD 186.9 million. Considering the proceeds of the sale of the Brazilian assets (including earn-outs) together with the cash at the end of Q4 2022 and the proceeds from the capital raise in mid-December, minus the outstanding bank debt, Maha's cash position would be higher than its current market capitalization, giving the Company ability to pursue new opportunistic acquisitions.

The above mentioned events illustrates what the new management of Maha is pursuing for the upcoming years, which can be summarized as: (i) financial optimization, improving the Company's capital structure and capital allocation; (ii) optimization of CAPEX and OPEX to capture superior returns out of the deployed capital; and (iii) search for opportunistic targets that can be acquired at attractive entry prices and with potential scalability within its production ramp-up.

During Q4 2022, the Brazilian production was fully recovered with the workover campaign successfully completed and all production wells back on stream, with improved artificial lift and tubing leaks repaired as required. The Tie-6 well commenced water injection into the Agua Grande formation to aid in pressure maintenance and oil recovery plans. In Tartaruga, the TTG-3 well was converted to a water disposal well for produced water which will eliminate the need to truck water from Sergipe to Bahia province for treating and will reduce operating costs significantly. Good progress was made in Oman with the conclusion of the assignment of Maha's 35% work interest to Mafraq Energy. The Company is now looking forward to start testing these wells in the near-term and further appraising the Mafraq field. The Company will update the market of its developments in Oman as soon as possible. Finally, in the US our production was very stable in the Illinois Basin and averaged 280 BOPD over the quarter with minor maintenance workovers carried out to keep all wells producing.

From a financial standpoint, Q4 2022 was a transitional quarter for Maha. Total production was 2,621 BOEPD and for the full year was 3,213 BOEPD. Even though the production improved from the third quarter 2022, revenues and net results for the fourth quarter were lower due to decreasing realized oil price compared to the third quarter 2022 and high general and administrative costs relating to the transactions occurred during the quarter. For the full year 2022 revenue was USD 89.8 million compared to full year 2021 revenue of USD 68.3 million, representing a 31.5% increase. Operating netback for the current year was impacted by workover costs and inflation; however, Maha's full year 2022 operating netback of USD 60.7 million was much higher than the full year 2021 operating netback of USD 46.1 million. Maha closed the quarter with gross debt of USD 46.1 million and a cash position of USD 23.2 million (including cash relating to the discontinued operations). Maha ended the year 2022 with EBITDA of USD 55.1 million compared to EBITDA of USD 47.8 million for 2021, an increase of 15.3% on a year over year basis.

Overall, with the above information and figures, which represent a challenging transition phase for Maha, the Company is now actively working in pursuing attractive opportunities to create value for its shareholders.

Yours sincerely,

Paulo T. Arantes de Mendonça (CEO)

Q4 Webcast tomorrow 1 March at 18:30 CET

There will be a live webcast tomorrow, on 1 March at 18:30 CET (Sweden time) to present the quarterly results and provide an operational update. A link to the webcast is available on the Company's website: www.mahaenergy.ca. Questions posted on the day of the presentation should be made directly in the YouTube Comments/Questions field. The webcast will be broadcast live on Nyhetsbyrån Direkts Youtube Channel and is hosted by the Company Laika and will feature representatives from Maha.

This information is such information as Maha Energy AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 19:45 CET on February 28, 2023.

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About Maha

Maha Energy AB (publ) is a listed, international upstream oil and gas company whose business activities include exploration, development and production of crude oil and natural gas. The strategy is to target and develop underperforming hydrocarbon assets on global basis. Maha operates three oil assets: Block-70 (Oman), Powder River (LAK Ranch) and Illinois Basin in the United States. The shares are listed on Nasdaq Stockholm (MAHA-A). The head office is in Stockholm, Sweden with a technical office in Calgary, Canada, as well as operations offices in Grayville, Illinois, USA and Rio De Janeiro, Brazil. For more information, please visit our website www.mahaenergy.ca