MAHA ENERGY AB

Annual Report 2019

Contents

Maha Energy AB Business Strategy

Maha Energy focuses on enhanced oil recovery engineering solutions for underperforming oil and gas assets.

Maha is a public, international upstream oil and gas company whose business activities include exploration, development and production of crude oil and natural gas. *As the Company focuses on applying modern state-of-the-art tailored solutions on assets with proven hydrocarbon systems to recover the hydrocarbons in place, the Company's primary risk is not uncertainty of reservoir content but fluid extraction.* The shares are listed on Nasdaq First North Growth Market (MAHA-A) in Stockholm. FNCA is the Certified Adviser.

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

Information regarding AGM

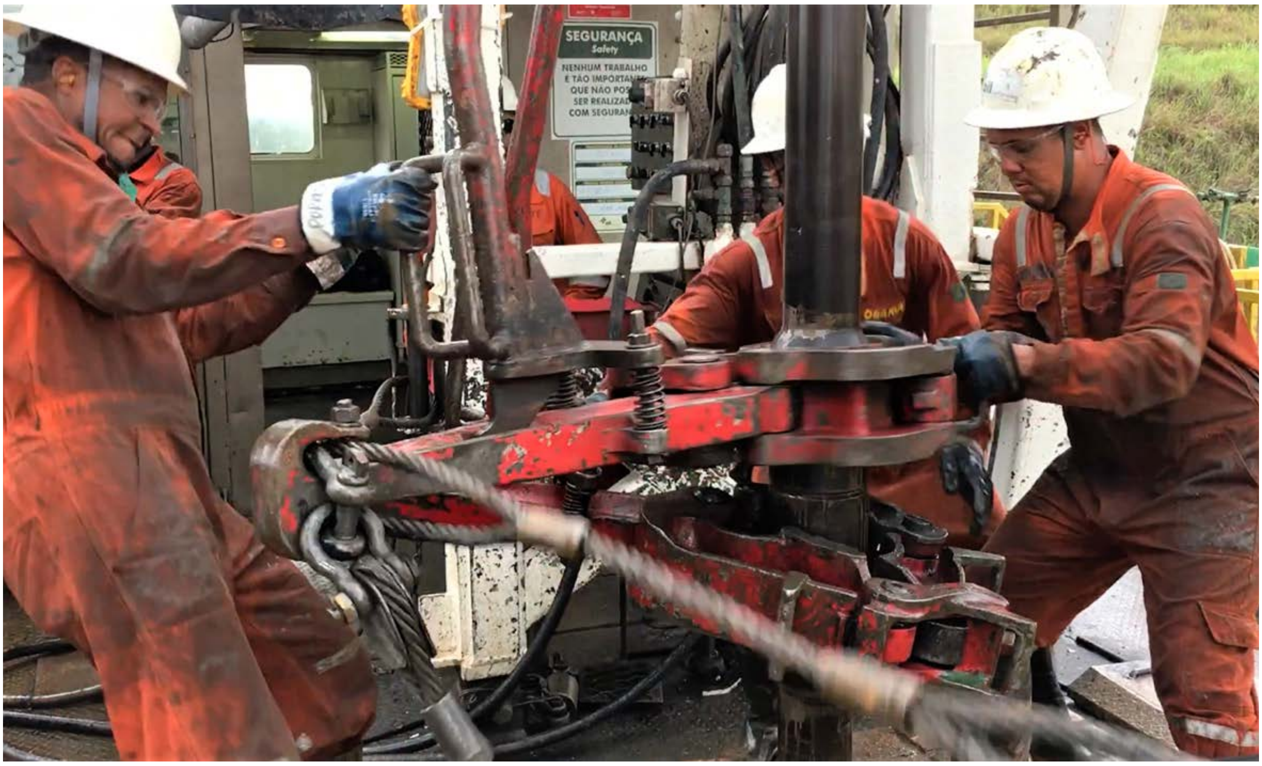
The Annual General Meeting of shareholders of Maha Energy AB (publ) will be held on Wednesday May 27, 2020, 3:00 p.m. at Setterwalls on Sturegatan 10 in Stockholm. The notice and the complete proposals of the Board of Directors will be available at www.mahaenergy.ca. To be entitled to participate, shareholders must be included in the register of shareholders maintained by Euroclear Sweden AB, in their own names, as of Wednesday May 20, 2020 and must notify Maha Energy AB no later than Wednesday May 20, 2020. According to the Swedish Companies Act, a shareholder who wishes to attend by proxy, must present a proxy in writing, dated and signed by the shareholder.

Cover image: artist impression of LAK Ranch in sunset. Photo by Alan Johnson.

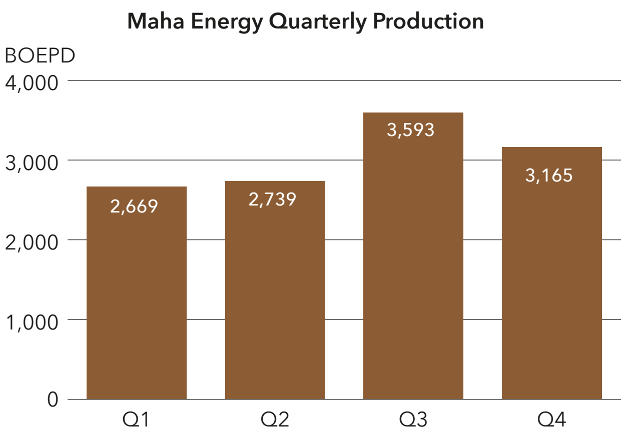
Financial Information

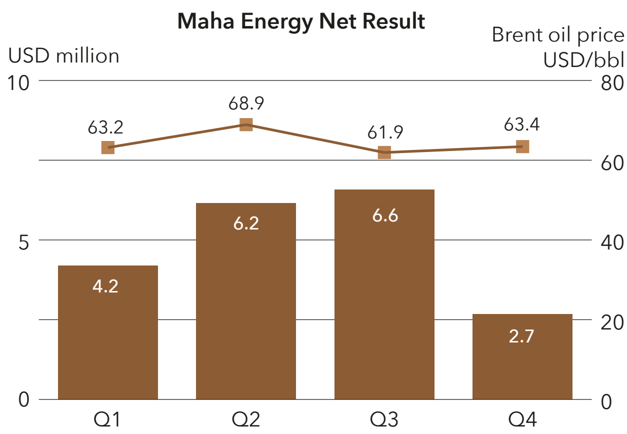
The company plans to publish the following financials reports for the 2020 reporting year:

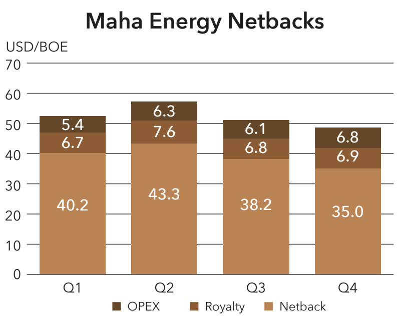
- Three-month report 2020 (January–March 2020) on May 26, 2020
- Six-month report 2020 (April–June 2020) on August 24, 2020
- Nine-month report 2020 (July–September 2020) on November 23, 2020
- Year-end report 2020 (September–December 2020) on February 26, 2021

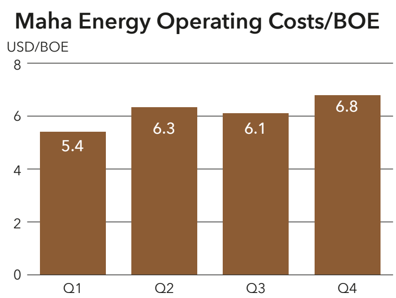


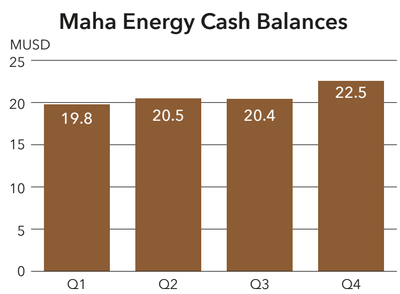
2019 – Another year of organic growth and profits











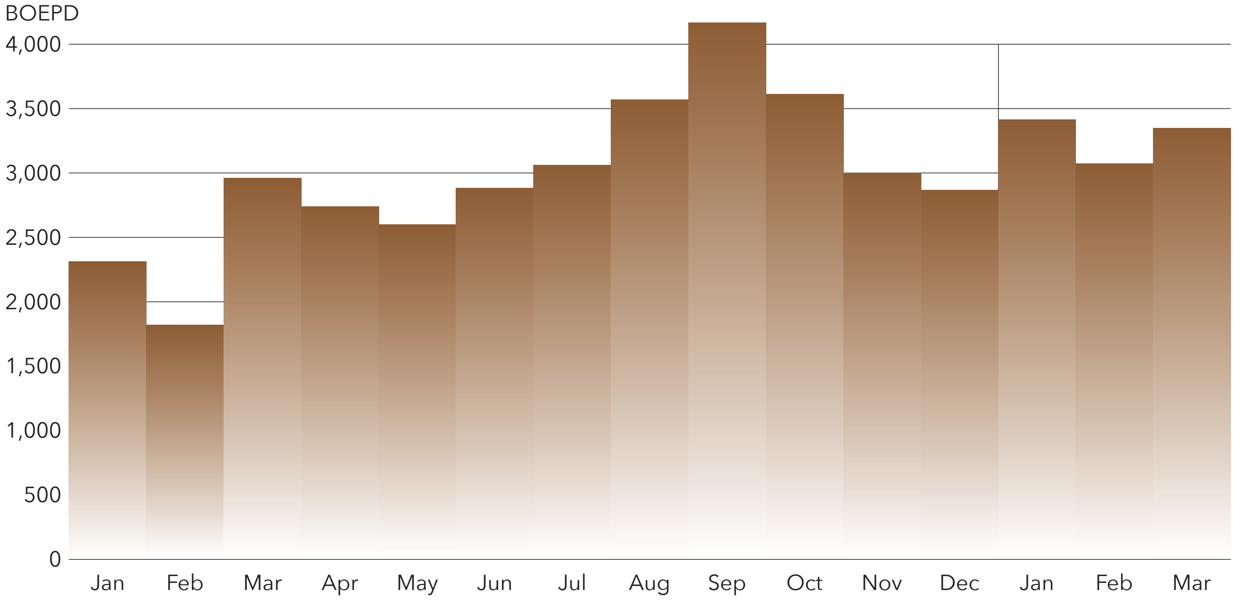
"We had 3 lost time incidents during 2019. All three were minor and all three workers could return to work in less than a week."

2019 – Record Year for STOP Work Observations

- Three Lost Time Incidents recorded during 2019
- 80% complete on corporate wide implementation DuPont™ STOP™ safety system

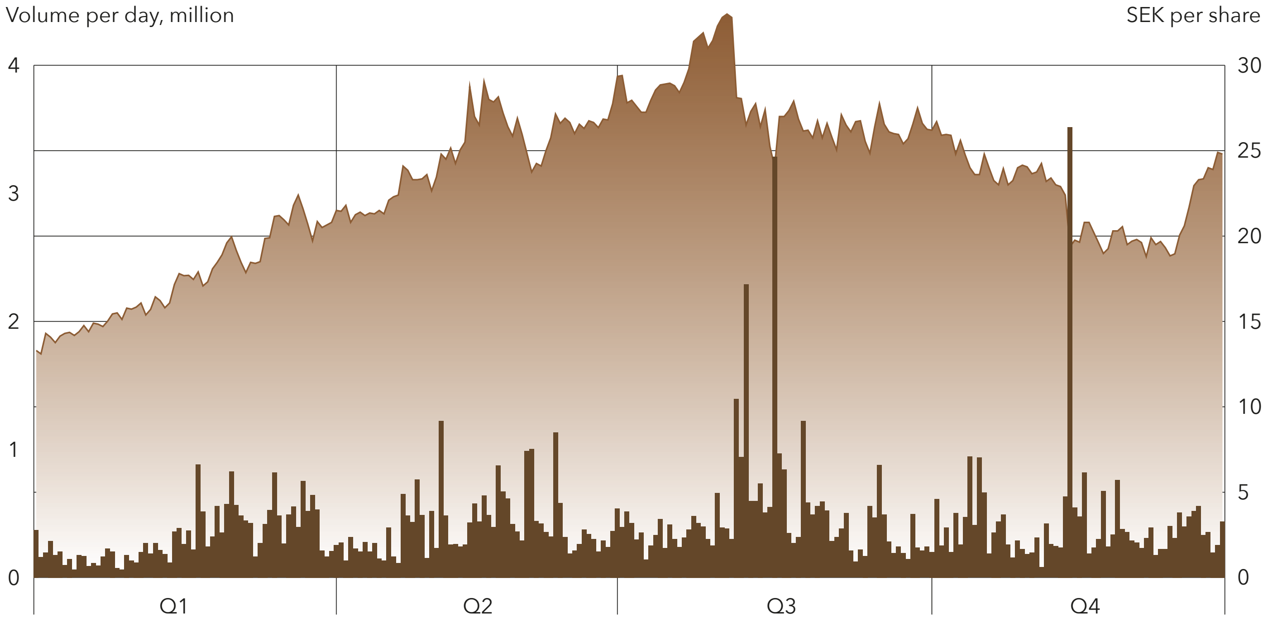
2019 Man hours:	596,376
2019 Lost Time Incidents:	3
2019 number of STOP Cards:	934

Maha Energy Production January 2019 – March 2020



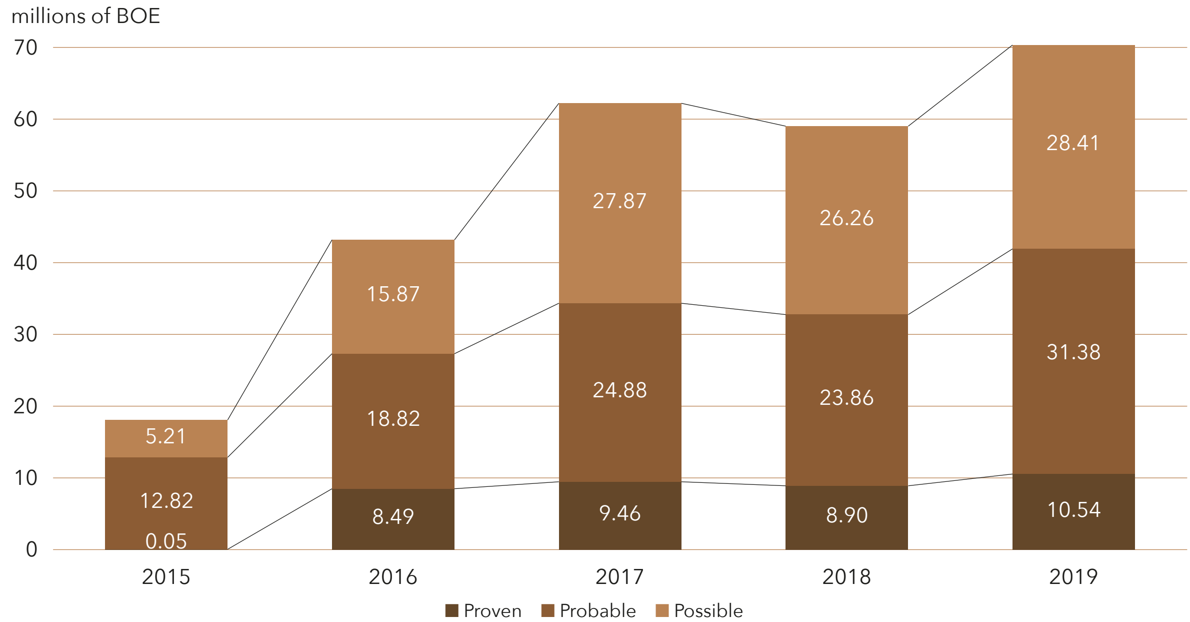
- 2019 exit production: 2,876 BOEPD. (2018: 2,286 BOEPD)
- 2019 average production: 3,044 BOEPD. (2018: 1,804 BOEPD)
- 2019 revenue: USD 55.6 million (2018: USD 38.1 million)
- 2019 average realized equivilent oil price: USD 52.14/BOE (2018: 58.88/BOE)

Maha A shares up 86% in 2019 – Liquidity still excellent



2019 high:	SEK 33.00 on 1 August, 2019
2019 low:	SEK 13.10 on 3 January, 2019
2019 annual average volume:	417,747 shares/day

Maha Reserves reflect year of production growth



Reserves Highlights:

- Proven Reserves are up 18% Y/Y
- 2P Reserves are up 28% Y/Y
- 2P Reserve Replacement : 147% Y/Y

Maha Energy AB in Bullet Form

- Swedish publicly listed independent upstream oil and gas Company
- 3 Producing oil fields, 2 in Brazil and 1 in USA.
- 2019 Average Production: 3,044 BOEPD (92% oil). (2018: 1,804 BOEPD (92% oil))
- Proven (1P) reserves: 10.54 million BOE (95% oil). (2018: 8.90 million BOE (95% oil)
- Proven plus Probable (2P) reserves: 41.92 million BOE (95% oil). 2018: 32.76 million BOE (97% oil).

Financial

Twelve Months Ended 31 December 2019

- Daily oil & gas production for the Twelve months 2019 averaged 3,044 BOEPD (2018: 1,804 BOEPD).
- Revenue of USD 55.6 million (2018: USD 38.1 million)
- EBITDA of USD 35.9 million (2018: USD 22.4 million)
- Net result for the period of USD 19.7 million (2018: USD 25.6 million which includes USD 11.3 million of recognized deferred tax recovery and USD 0.8 million of other gains during the fourth quarter.
- Basic earnings per share of USD 0.20/share (2018: USD 0.26/share)
- Diluted earnings per share of USD 0.18/share (2018: USD 0.25/share)
- Operating netback of USD 41.5 million or USD 38.96 per barrel. (2018: USD 26.9 million or USD 41.57 per barrel)

Average 2019 SEK/USD Exchange Rate: 9.4543
Average 2018 SEK/USD Exchange Rate: 8.6997
SEK/USD Exchange Rate as at 31 December, 2019: 9.3413
SEK/USD Exchange Rate as at 31 December, 2018: 8.8701

Letter to Shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB.

I am very happy to report that, to date (knock on wood), no one at Maha has been infected with the COVID-19 virus. We are taking extraordinary steps to avoid the virus, like most, we have implemented a 'work-from-home' policy and have reduced our field personnel to a skeleton staff while also ensuring a back-up crew is available in the event of illness. Unfortunately, we cannot escape the direct impact of the COVID-19 virus is having on our business. And I too am concerned about the various levels of impacts that COVID-19 has inflicted upon us. For example, our gas customers in Brazil (CDGN and GTW) are unable to consume all of our Tie gas due to movement restrictions across state and municipal borders, which in turn is affecting our ability to produce oil. Needless to say, our ceramic factory gas end users are suffering too – apparently no one is buying ceramic tiles right now. It is clear that the Q2 of 2020 will suffer production losses – to what extent, I am not able to say right now. However, one thing that is certain, is that our Operations Team are pulling out all stops to keep the oil flowing.

Despite this, Maha is standing strong. With a strong cash balance, low operating cost, growing production and no immediate significant requirements for capital expenditures, we have many options at our finger tips to ride out the storm. At the end of 2019, Maha had just over USD 22.5 million in unrestricted cash. Even at an oil price below USD 20/bbl, we are able to adjust our operating costs in order to remain cashflow positive, which means that we are in a better financial shape than most of our competitors. COVID-19 has caused us to reduce immediate capital spending, which in turn has reduced our operating costs as well. Note that this reduction in immediate capital spending will have no near-term effect on our production capabilities. Since we are in such a strong financial position, we are optimally placed to pounce on accretive acquisition opportunities – like the recently acquired U.S. Illinois Basin (IB) assets.

The IB assets were purchased at an opportune time, reflecting our strategy to acquire distressed and underperforming oil and gas assets. It also diversifies our asset portfolio. The IB assets are solid, low risk, and have high growth potential. As soon as markets recover we will redeploy capital to grow oil production there. The objective is to grow production at IB to over 1,000 BOPD.

Furthermore, we continue to add long-term shareholder value by increasing our reserves. As at 31 December, 2019, the Company had organically increased proven reserves by 18% and Proven plus Probable (2P) reserves by 28%.

Tie-1 (Attic)

The majority of these increases were the results from the work done on the Tie field during the year. Our 2P reserve replacement ratio for the year was an impressive 147%.

Finally, Company production is up 69% year-on-year and we ended 2019 at an annual production average of 3,044 BOEPD. So far production for the first quarter of 2020 averaged 3,284 BOEPD and we expect the Company production to continue to increase throughout the calendar year. To ensure the uninterrupted oil production target of 4,850 BOPD at the Tie Field, we recently engaged Enerflex Ltd, a gas handling solutions company, to install and operate two gas compressors there to reinject unused sales gas. This will allow for continuous oil production irrespective of gas customer demands. This project will be completed during Q3 this year. We also look forward to another oil producer at Tie (Tie-2) along with additional water injection capabilities (Tie-3) to boost reservoir pressures.

Together with the new IB asset, we now have a low cost, oil focussed, business that can grow to +/- 7,000–8,000 BOEPD from existing assets. Growth to these levels are naturally dependent on the investment program timing – but it gives a good sense of the quality, trajectory and scale of our operated assets.

I want to end this letter with a special thanks to our hard-working staff. There are endless number of examples of our staff rising to the occasion, but to give you a taste of what our guys do; Hayden Ott, our US Production Foreman, jumped in his truck the same day we closed the IB transaction and drove from Wyoming to Illinois, some 1,700 kilometres, to ensure uninterrupted supervision and continued production. Pier Mane, our Production Manager in Brazil, temporarily relocated himself to Tie field before travel bans went into effect to ensure he was available 24/7 at the field. That is leading from the front. That is dedication. Thank you to everyone!

On behalf of myself and all our team in Sweden, Canada, Brazil and USA we thank you for your continued support as shareholders.

Jonas Lindvall
Managing Director

Overview of Maha Energy 2019 Assets

Country	License name	Maha WI (%)	Status	Area (acres)	Average BOEPD[1]	Partner
USA	LAK Ranch	99%	Pre-Production	6,475	25	SEC
Brazil	Tartaruga	75%	Producing	13,201	233	Petrobras
Brazil	Tie	100%	Producing	1,511	2,786	
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		
Total Annual Average					**3,044**	

1 *Average Produced Barrels of Oil Equivalents Per Day during the calendar year*

Tie view near Salvador

Brazil

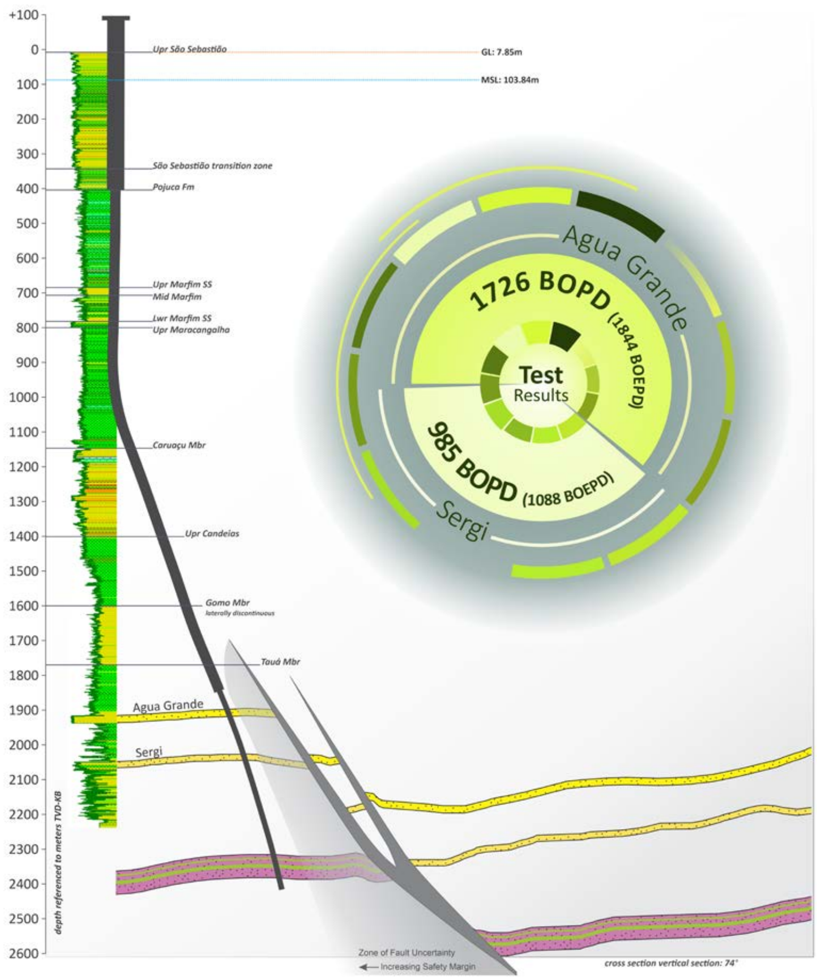
Reconcavo
In 2017 Maha Energy purchased six onshore concession agreements located in the Reconcavo Basin of Brazil, including the oil producing **Tie** field from a Canadian Oil and Gas Company (Gran Tierra). As such Maha owns and operates, through a wholly-owned subsidiary, 100% working interests in six onshore concession agreements located in the Reconcavo Basin of Brazil, including the oil producing **Tie** field. The field and the six concessions are located in the state of Bahia, onshore Brazil.

Tie Field – Crown Jewel
When Maha assumed operations at the 38° API **Tie** oil field in July 2017, production was limited to one, dually completed free flowing well (GTE-4), producing from the Agua Grande (AG) and Sergi formations (SG). Production was only 1,356 BOEPD. The production facility was capable of handling only 2,000 BOPD and crude oil and gas offtake agreements were limited to +/– 1,400 BOPD and 25,000 m3/day of gas. Proven and Probable (2P) reserves as at 1 January, 2017 were pegged at 11.8 m BOE's.

During 2018 and 2019, the Company undertook a series of operations to increase oil and gas production at the **Tie** field. Through detailed engineering it was determined, during this period, that the legacy Gran Tierra Inc's established production plateau of 3,000 BOPD could be increased to 4,850 BOPD. As a result of Maha's development activities, by the end of 2019, the **Tie** field consisted of 3 oil producing wells (GTE-3, GTE-4 and TIE-1, informally know as Attic), one water injector (ALV-2) and a production facility capable of handling up to 5,000 BOPD. During the same period, Maha was successful in increasing oil and gas offtake agreements to 4,850 BOPD and 85,000 m3/day respectively. Proven and Probable (2P) reserves were increased to 19.9 m BOE's, an increase of 69%.

The Company quickly identified that water injection and the addition of high gas-oil-ratio handling artificial lift equipment would efficiently and swiftly increase production at the field. Water injection commenced at the end of 2017 and hydraulic jet pumps were installed at GTE-3 and GTE-4 during 2018 and (Q1) 2020 respectively. Jet pumps were chosen for equipment uniformity, their ability to handle formation debris and high gas-oil-ratios, as well as separate Agua Grande and Sergi production in dually completed wells.

Attic (TIE-1) Well Profile



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 SG 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 Boipeba Formation reservoir development resulted in no hydrocarbon presence at this location. Following the initial single completion, the well was recompleted with a dual 2–3/8″ tubing string and initially free-flowed 985 BOPD (1,088 BOEPD) and 1,726 BOPD (1,844 BOEPD) from the SG and AG formations respectively. Neither zone produced any noticeable amount of water. During these tests the AG production had to be choked back (restricted) due to surface equipment limitations. Significantly higher production rates are achievable. The well was tied-back to production facilities in June 2019 and is currently producing from both zones.

TIE-1 flowed a total of 344,665 bbls of oil and 251.824 mmscf of gas during 2019. Future plans include converting this well to artificial lift at which time higher production rates are possible.

During 2019, and due to the TIE-1 (Attic) well penetrating the reservoirs some 50 m. deeper than anticipated, the **Tie** field structure was remapped by the Company's independent seismic contractor, Rincon Energy LLC, an independent Geology and Geophysics consulting group based in California, United States. This resulted in a revision to the shape of the structure which in turn resulted in larger in situ hydrocarbon volumes. The Company's independent engineering consultants, Chapman Petroleum Engineering Ltd., of Calgary, Canada, then completed a re-determination of the producible volumes at the **Tie** Field that resulted in a 69% increase of Proven plus Probable (2P) reserves.

As a result of these activities, a new production profile was developed for the field. With the increase in reserves and the addition of more wells, Maha anticipates the **Tie** field will produce at 4,850 BOPD until 2026.

In order to maintain production at the **Tie** field, two new wells are planned for 2020. In February, 2020, the Company received final environmental approval to commence drilling these two wells. The first well, TIE-2 (informally known as South Attic) will be a producing well, and the second well, TIE-3 (formerly known as South Sweep) will be a water injection well. These wells will be drilled in the southern part of the field and are designed to extend the production plateau of the Field.

Production Facilities

During 2018 and 2019, production facilities at the **Tie** Field were upgraded from its original 2,000 BOPD handling capacity to 5,000 BOPD. The Facility consists of 6,500 barrels of oil storage and oil/gas/water separation equipment capable of handling the 5,000 BOPD capacity. Gas is separated and sold to two customers; CDGN and GTW (Gas-To-Wire). CDGN compresses untreated natural gas and transports the Compressed Natural Gas (CNG) to multiple end users where the gas is decompressed and used as fuel. GTW consumes untreated natural gas in gas-fired generators producing electricity for the local elctrical grid.

Fiscal Terms

The Tie Field is subject to a 10% royalty payable to the Government of Brazil plus 1% payable to landowners in the vicinity of the Tie Field.

The statutory tax rate applicable to corporate income is 34%. However, the Company has secured, until 2024, an extendable tax rate incentive of 18.75%, making the effective net income tax rate 15.25%. Corporate income tax is payable on the annual upstream profits of a company after deducting prior year losses of up to 30% of taxable income.

Crude Sales

All oil produced at the Tie Field is trucked to two customers. Petrobras and DAX Refinery (a small local refinery in Bahia) are contracted to receive up to 1,850 BOPD and up to 3,000 BOPD respectively. The Company receives payment in arrears from Petrobras and in advance from DAX.

Gas Sales

Crude sales are highly dependent on associated gas sales. To that end, the Company has secured two gas sales contracts with CDGN and GTW, both local Brazilian gas handling companies. CDGN compresses and markets the gas to local industries as CNG. GTW receives untreated natural gas from the Tie station and converts the gas to electricity through 17 small gas generators. In both cases, the Company receives monetary compensation for the gas. During 2019, the Company produced and sold 552.8 million scf of gas and received USD 613,600 as compensation.

In order to ensure continuous and uninterrupted oil production from the Tie field, the Company decided in 2019 to proceed with a 'spill over' gas reinjection scheme. To that end Enerflex Ltd, a Canadian natural gas solutions company, was contracted to supply two 1380 hp (5 stage) gas compressors in March of 2020. Once installed, these compressors will take any gas that is not consumed by CDGN and/or GTW and reinject it into the field reservoir. The compressors are sized to allow for 100% reinjection of produced gas. If required, this will serve as redundancy in the event CDGN or GTW are unable to consume produced associated gas.

Reconcavo Concessions

As part of the transaction with Gran Tierra Inc, the Company acquired six exploration concessions in the same area as the Tie Field. No material work (other than G&G evaluation) was undertaken on the concessions during 2019 and all six concessions remain in various stages of suspension.

Property Description

The six concession agreements are located in the middle of the prolific Reconcavo Basin, in the coastal state of Bahia, Brazil. The six concessions are in varying stages of exploration and development. A total of 8 wells have been drilled and 212 km² of 3D seismic acquired by the previous Operator over the 41,606 total acres.

Country	License Name	Bid Round	Maha WI (%)	Type	Ares (acres)	Work Program & Status
Brazil	Tie	9	100%	Producing	1,511	Completed, expires 2039
Brazil	REC-T 155	9	100%	Exploration	4,276	PAD-1 completed, Suspended
Brazil	REC-T 129	9	100%	Exploration	7,241	PAD-1 completed, Suspended
Brazil	REC-T 142	9	100%	Exploration	6,856	PAD-1 completed, Suspended
Brazil	REC-T 224	9	100%	Exploration	7,192	Suspended, Drill 1 well
Brazil	REC-T 117	11	100%	Exploration	6,795	Phase, Drill or drop
Brazil	REC-T 118	11	100%	Exploration	7,734	Phase, Drill or drop

Block REC-T 155

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

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

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

Block REC-T 129

Block 129 was awarded as part of the 9th Bid Round in Brazil on 27 November 2007. Two wells were drilled as part of the first part of the proposed evaluation program. The first well (ALV-1) discovered minor quantities of oil produ-

cing 200 BOPD on test. A full coverage 3D seismic was also acquired at this time.

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

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

Block REC-T 142

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

Additional work completed on Block 142 includes core analyses, geochemical studies and 3D seismic reprocessing. There are 3 stages to the proposed work program, of which the first one is fully completed, provided the Company restores the surface of sites used to drill the unconventional wells. The remaining two phases include the commitment to drill one well per phase, however, moving to the next phase is optional for the Company.

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

Block REC-T 224

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

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

The Block is currently suspended until the Company receives the necessary environmental license from authorities to drill the exploration well. Timing to obtain the environmental licence is uncertain but the process is ongoing. Upon receipt of the license, the Company must drill an exploration well within one year.

The Company has posted a BRL 7.1 million Bond which is tied to the completion of the second phase of the work program. The Company continues to review G&G data in order to identify a suitable prospect for drilling. In the event the Company does not complete the work commitments, the Company will forfeit the Bond. During the period of suspension, the Bond will remain in place. The Company can elect to reimburse the Government by cash payment of the Bond amount in lieu of drilling the wells.

Block REC-T 117

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

The Company received the environmental license from the Authorities to drill an exploration well on 13 September, 2019. According to the agreement, the Company must drill an exploration well before 27 February, 2021. The Company can elect to forgo drilling in which case a BRL 7.6 million bond will be forfeited to the Government of Brazil. The Company has not identified any drillable prospects that warrants drilling at this time.

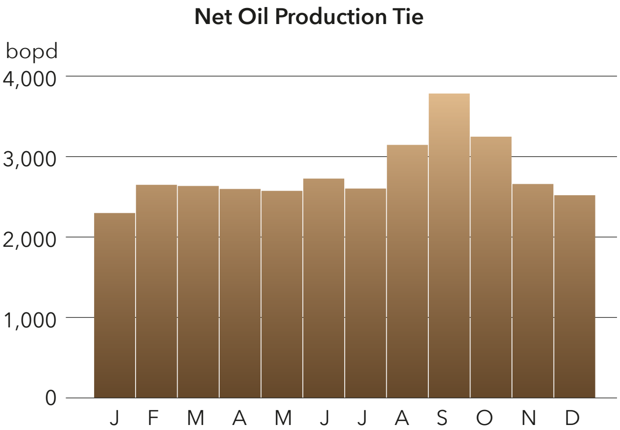
Block REC-T 118

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

The Company received environmental license from the Authorities to drill an exploration well on 5 September, 2019. According to the agreement, the Company must drill an exploration well before 7 February, 2021. The Company can elect to forgo drilling in which case a BRL 11.4 million bond will be forfeited to the Government of Brazil. The Company has not identified any drillable prospects that warrants drilling at this time.

Tie Field (Tie Development Area)

Well ALV-2 discovered the Tie Field in 2009. Both Agua Grande (8m. net pay) and the Sergi (6m. net pay.) formations logged oil. The Sergi formation tested oil at 740 BOPD, the Agua Grande was not tested. The well was declared a discovery and authorities granted an exploitation license that expires in 2039. Two appraisal and development wells were drilled in 2012 (GTE-3 and GTE-4) and production facilities were completed in 2013. As at 31 December 2019 the field has produced over 3.053 million barrels of 38 deg API light oil from both Agua Grande and Sergi reservoirs.



Monthly production (bopd) from Tie Field

Four new 1,000 bbls oil storage tanks

Tartaruga Field — organic growth continues

In 2017, Maha completed the purchase of an operated 75% working interest in the **Tartaruga** development block, located in the Sergipe Alagoas Basin onshore Brazil. The **Tartaruga** oil field is located in the northern half of the 13,201 acre (53.4 km²) **Tartaruga** Block and produces 41° API oil from two deviated wells drilled into the early Cretaceous Penedo Formation. The 2019 work program was primarily aimed at acquiring important reservoir information in order to assist in generating a Field Development Plan (FDP). The two producing wells at **Tartaruga** did not disappoint, and collectively delivered over 84,800 barrels of oil net to Maha during 2019 — a volume only rivaled by initial annual production volumes dating back to the discovery of the field in 1995.

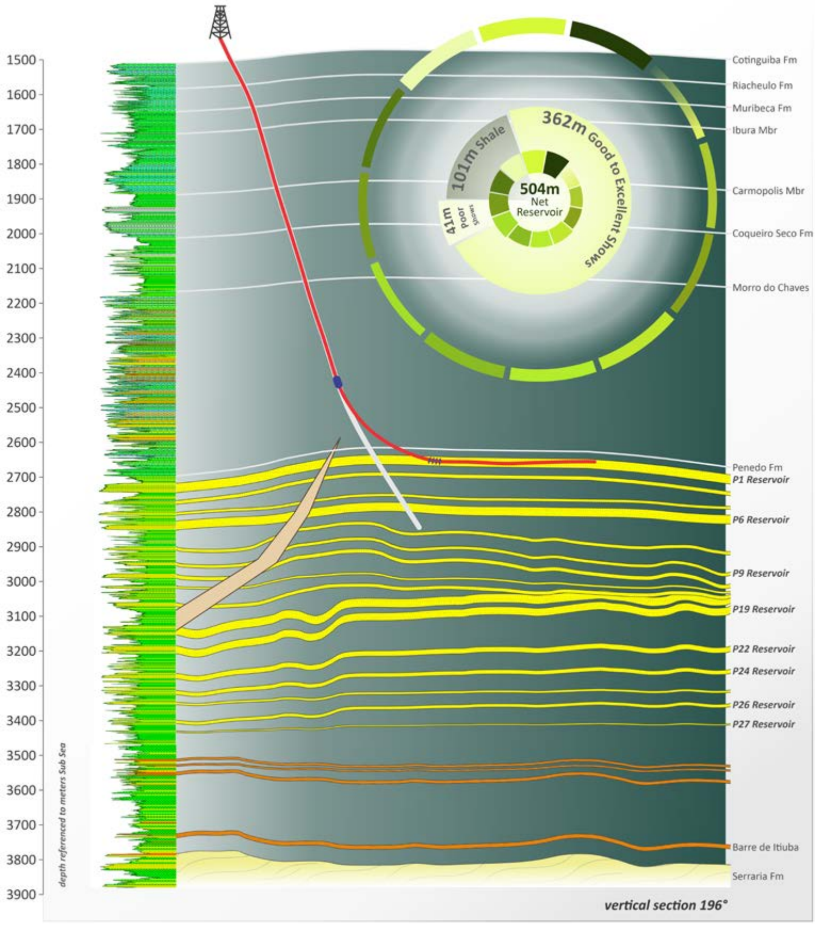
Tartaruga at a glance

- Field Name : Tartaruga ('Turtle' in Portuguese)
- Discovery Year : 1994 (Petrobras)
- Maha Working Interest : 75% (Operator)
- Number of Wells : 3
- 2019 Average Production : 233 BOEPD
- 2P Reserves : 13.200 million barrels
- API : 41 degrees
- The Company's organic growth project in Brazil.

During 2019, the Company concluded a significant work program which included the re-entry, perforating, hydraulic stimulation and recompletion of the TTG-1 producing well (formally known as 7TTG) along with the re-entry and horizontal sidetrack drilling of the original **Tartaruga** discovery well (107D). The TTG-1 well was successfully recompleted in the Penedo-1 (P1) sandstone reservoir and, after hydraulic stimulation, tested (gross) 785 BOPD. The horizontal sidetrack out of original well 107D, named TTG-2, was finally completed and tested in early 2020. After clean up, the well flowed naturally at (gross) 650 BOPD and, with the assistance of a jet pump, tested (gross) 939 BOPD. Jet pump rates were restricted due to surface facility constraints. With these two wells, TTG-1 and TTG-2 recompleted in previously unproduced sections of the field, the handling facilities at **Tartaruga** became filled to capacity. To that end, work commenced at the end of 2019 to expand the handling facilities at **Tartaruga** from around 800 BOPD to 2,500 BOPD.

Also, during 2019, an appraisal well targeting a different area of the **Tartaruga** structure was drilled and completed. TTG-3 (informally known as Maha-1) penetrated 27 Penedo sandstone layers reaching a Total Depth (TD) of 3728m. on October 3. Two conventional cores and forty rotary sidewall cores were acquired during the drilling phase to aid in further FDP planning. The drilling rig was demobilized and a smaller, fit-for-purpose workover rig was brought in to undertake stimulation and testing work. In March 2020, and in a response to the weakening oil market, it was decided to suspend well testing of this appraisal well in order to reallocate Company capital. Testing of TTG-3 will resume as soon as the oil market stabilizes.

A Case Study of TTG-2 (107D Horizontal Sidetrack)



107D Horizontal (TTG-2) well profile

TTG-2, informally known as the 107D horizontal sidetrack, was Maha's first new well drilled on the **Tartaruga** structure. The well was designed as a horizontal sidetrack off Petrobras' 1994 discovery well targeting the highly productive Penedo 1 (P1) cretaceous sandstone. Having produced upwards of 689,000 BOE's from the P1, 107D was nearing the end of its productive life and, along with its near crestal positioning on the P1 structure, was a prime candidate for horizontal optimization.

By utilizing 107D's existing wellbore, Maha was able to fast track the drilling operation by eliminating ~2,950 meters of overburden rock. Kicking off at this depth left only a short ~160 meter interval of overburden (required for the build section) before reaching the target reservoir. While the plan was sound, unforeseen operational factors resulted in significant drilling and completion challenges.

The goal of placing a horizontal well across the crest of the P1 reservoir ultimately resulted in the first sidetrack attempt being plugged and abandoned, and the second attempt requiring an unconventional completion through 3 ½" stuck pipe. While the operation highlights significant setbacks, important reservoir data was obtained and invaluable lessons learnt on best drilling practices for the **Tartaruga** field.

Through perseverance, Maha's operational team successfully completed TTG-2 and subsequent well testing returned better than expected results. Under free flow conditions, TTG-2 flowed 650 BOPD, which increased to 939 BOPD on jet pump. Considering a total P1 reservoir length behind pipe of only 110m compared to the 504m open hole length, production volumes indicate better P1 reservoir quality than initially anticipated. Such results, along with overcoming unique operational challenges, marks TTG-2 as a resounding success for Maha's first drilling operation on **Tartaruga**.

Operational Challenges

The first and most significant challenge, at least from a geological standpoint, related to the uncharacteristically high water sensitivity (hydrophyllic) nature of Morro do Chaves shales situated between kick off and the top Penedo Formation.

The two most problematic intervals (2972–2996m, 24m thick & 3030–3042m, 12m thick) were a constant source of uphole cavings, which only increased in volume with exposure to water-based drilling fluids. Wellbore geometry also exacerbated negative uphole caving effects, with reoccurring tight hole from base of the shales at 3030 m. measured depth (MD) to the top of the P1 reservoir (3157 m. MD). With an inclination build from 55° to 72° over the 127m build interval, significant nested cavings accumulated along the wellbore's low side is more than likely.

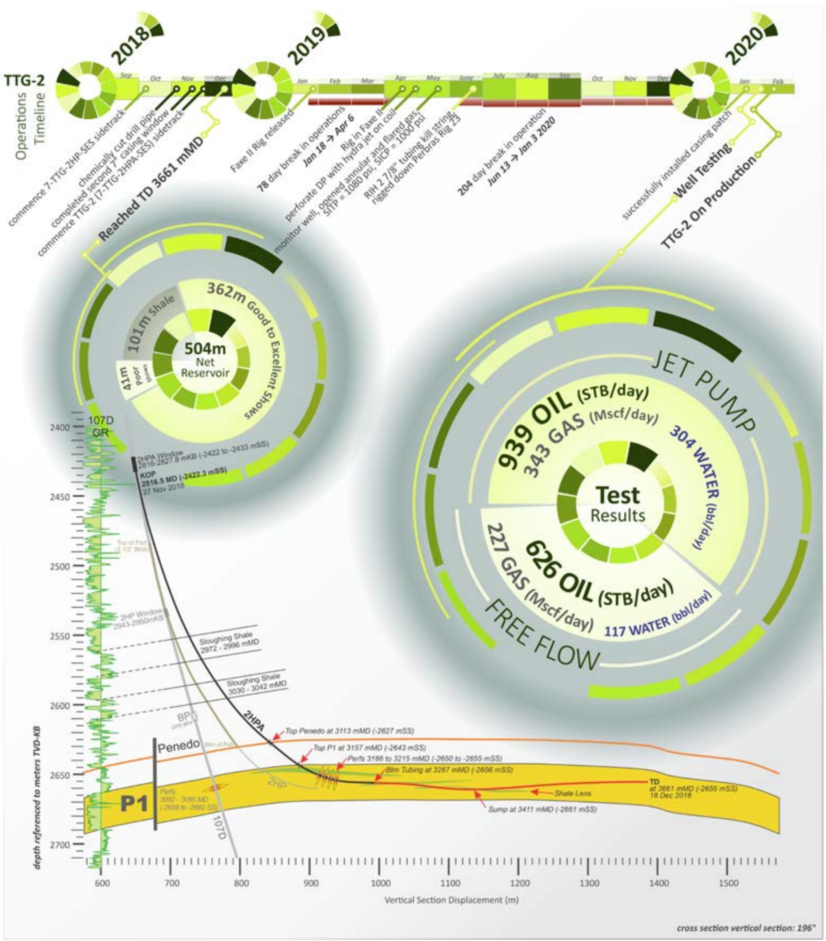
The second fundamental issue pertained to well design. The desired completion required a 6 1/8" hole size and the only way to achieve this, given kick off from 7" casing, was to drill the build and lateral in one continuous hole size. Using water based drilling fluid in a hydrophilic shale rich environment, combined with increased wellbore exposure time by failing to isolate the build section behind casing, inevitably resulted in stuck drill pipe in both sidetracks. The overarching lesson learned from the operation was that the drilling environment at **Tartaruga** requires oil-based drilling fluid, or a different well design.

Accordingly, future horizontal wells on **Tartaruga** will be designed with this in mind.

Operational Summary

The first wellbore sidetracked the 107D parent well through a 7"casing window and the 6 1/8" hole was then drilled from 2950 (bottom casing window) to 3208 m. MD, penetrating the P1 target reservoir at 3112 m. MD. During drilling, excessive shale cavings resulted in ongoing tight hole issues. 15 days after the sidetrack commenced, the hole eventually packed off at a depth of 3090 m. MD while attempting to reach bottom. Efforts to free the drill proved unsuccessful and the wellbore was plugged and abandoned.

On completing abandonment of the first sidetrack attempt, a new 7" casing window was milled from 2816 to 2828 m. MD. The second sidetrack commenced and successfully reached a TD of 3661 m. MD 22 days later. With the top P1 penetrated at 3157 m. MD, the gross length of P1 reservoir drilled in the horizontal section amounted to 504m. Of this gross length, 403 meters remained within excellent sand, and of that 403 meters of sand, 362 meters had good to excellent oil shows. Considering a net to gross ratio of 80%, well placement within the P1 can be considered highly successful.



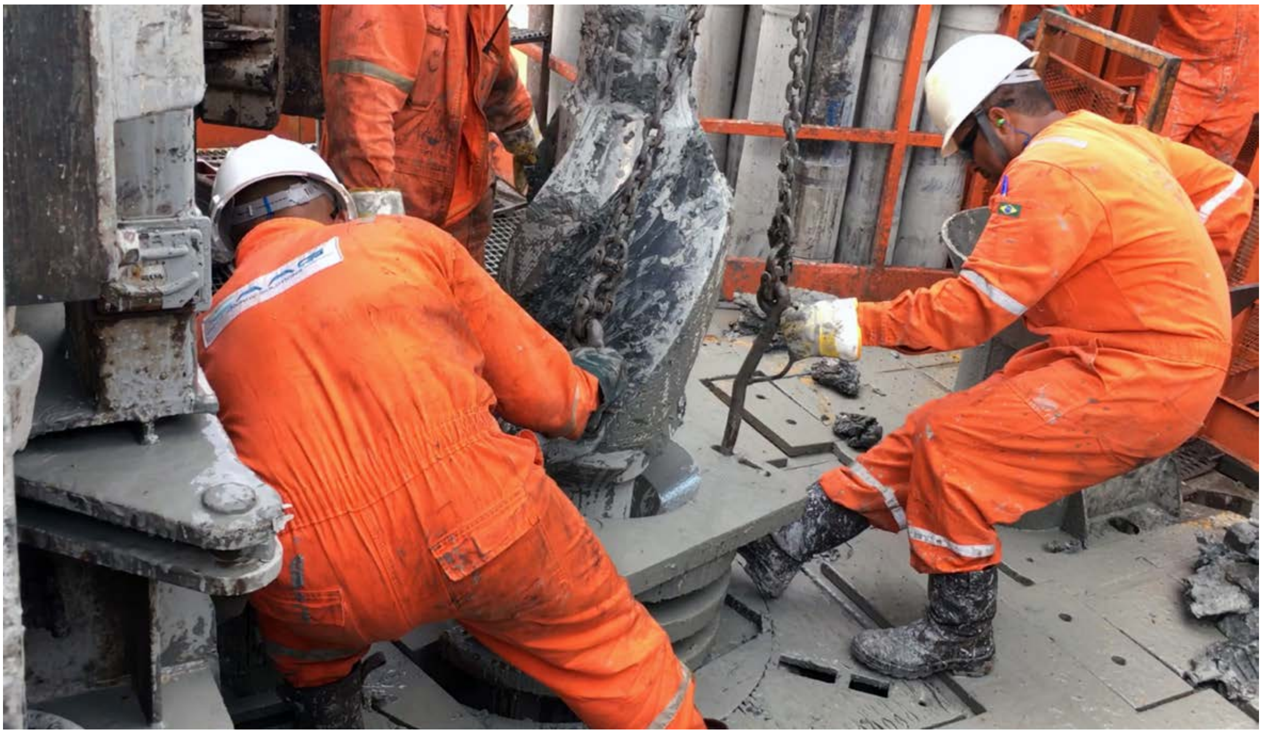
107D Horizontal (TTG-2) well metrics

However, while performing cleanout trips in preparation for running the production liner, shale cavings became more abundant and accompanying tight hole issues progressively more severe. In an effort to mechanically hold the shales back, the already over-balanced mud weight was further increased. While the mud weight increase may have provided some temporary borehole stability and respite from cavings, ultimately it proved ineffective. 15 days after the well reached TD, the hole packed off again leaving 3 ½" drill pipe terminally stuck, this time at 3267 m.MD.

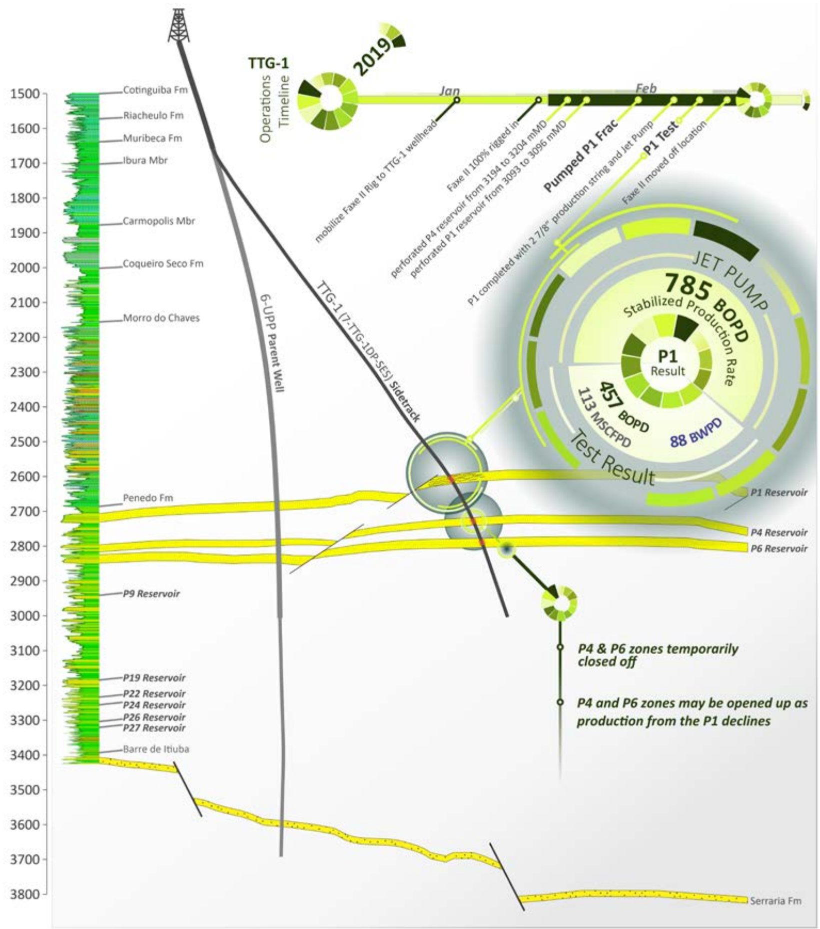
A tie back assembly and retrievable bridge plug were installed allowing future well interventions. However, when pressure testing the bridge plug, communication was discovered between the 7" and 9 5/8" casing in the 107D parent hole, further complicating completion options. In light of this situation and the amount of work required to successfully complete the well, a decision was made to suspend operations on TTG-2 allowing space and resources to be focused toward other, more critical operations.

Accordingly, a three-month break in operations occurred with the focus shifting to completing TTG-1 in order to re-establish production at the field. When work resumed on TTG-2, the bridge plug was successfully retrieved and a 29m interval of pipe was perforated from 3186 to 3215 m. MD.

The operation was once again suspended for drilling of the TTG-3 (Maha-1) well. When work resumed on TTG-2 in January 2020, the 7" casing was successfully patched, resolving communication issues between the 7 and 9 5/8" casing. Immediately after completing the casing repair, 2 7/8" production tubing was run, allowing well testing to commence. Three weeks later, TTG-2 was successfully put on production with a jet pump artificial lift system.



TTG-1 Workover



TTG-1 well and frac results

A workover to recomplete the TTG-1 well with larger tubing and a dedicated jet pump was originally planned for mid-2018. Unfortunately, stuck 3-1/2" tubing prevented the work to be completed due to pulling limitations of the workover rig. Following the completion of drilling operations at TTG-2 (horizontal well) the larger rig was moved onto TTG-1 and fishing of the stuck tubing was successfully completed in 2019. The workover included the addition of perforations in the P4 and P1 sands along with a dedicated hydraulic stimulation procedure on the P1 zone. The well was completed in the P1 zone only with a 2-7/8" dedicated jet pump in early 2019. Subsequent pump optimization and cleanup operations yielded a stabilized production rate of (gross) 785 BOPD from the P1 zone only. Prior to shutting-in TTG-1 during January 2019, the well was producing (gross) 191 BOPD from the P6 zone.

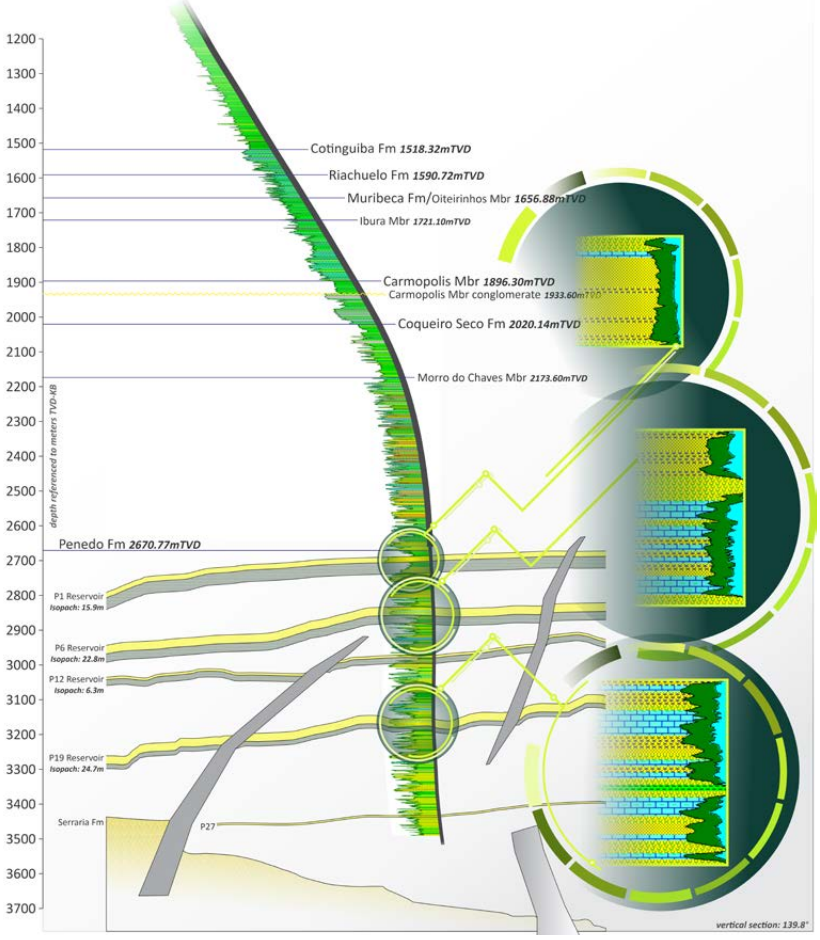
The newly perforated P4 zone and the previously producing P6 zone are both temporarily shut in. Prior to shutting-in the well in January 2018, the P6 zone was producing 191 BOPD, 0.6 BWPD and 92 MSCFPD of gas. These two zones may be opened up as production from the P1 declines.

TTG-3 Delineation Well (informally known as Maha-1)

During 2019, the Company drilled a new well from the **Tartaruga** site. The objective of the TTG-3 well was to test previously untested sandstone zones in the Penedo reservoir. The Penedo reservoir consists of up to 27 sandstone zones (hereinafter referred to as 'sands'). All sands have been penetrated and logged in previous wells and indications are that these sands all contain oil, but only four (4) sands have been previously tested confirming oil content. All four tested sands have tested varying volumes of oil.

TTG-3 reached a Total Depth of 3728 m on 3 October, 2019 after penetrating a total of 27 separate Penedo sandstone zones. An extensive open hole logging program was completed which included specialty logs and the acquisition of 40 sidewall cores. The Penedo gross sand thickness was measured at 420 m. and preliminary electric log analysis suggested a total net pay thickness of 72 m. In addition to the sidewall cores mentioned above, two (2) full size conventional cores were obtained in the P1 and P6 sands with 97% and 100% recovery respectively.

Seven inch casing was run to 3728 m. and cemented in place after which the drilling rig was demobilized and replaced with a smaller, fit-for-purpose, workover unit that commenced well testing in early January 2020. In March, 2020, it was decided to suspend well testing of this appraisal well in order to more effectively use Company capital during depressed oil market conditions. Testing will resume as soon as the oil market stabilizes.



Maha-1 (TTG-3) well profile

TTG-3 is primarily an appraisal well designed to provide much needed well information for the **Tartaruga** FDP. Chapman Petroleum Engineering Ltd., the Company's independent reserve auditor, estimates the **Tartaruga** Field contains 32.277 million barrels of Proved, Probable and Possible (3P) reserves net to Maha's Working Interest.

Production Facilities

Current handling facilities at **Tartaruga** allows for 500–800 BOPD processing and handling. Current storage is limited to 1,350 barrels of oil. Current oil production is somewhat limited by associated gas flare limitations.

Current crude export uses oil trucks as the Facility is not linked to a pipeline system.

Whilst gathering much needed information for the **Tartaruga** FDP, and in order to capitalize on existing well productivity from the 3 wells at **Tartaruga**, the Company has well-advanced plans to increase the current handling capacity of the **Tartaruga** oil processing facilities to 2,500 BOPD. At the end of 2019, Gas-to-Wire (GTW) mobilized four generators to commence handling associated gas at **Tartaruga**. Further Generators are being mobilized as the field increase its production. This temporary and intermediary plant expansion is designed to maximize field production whilst the Company completes the Final FDP.

The FDP will be presented to Brazilian authorities in order to secure an extension to the **Tartaruga** oil production license that currently expires in August 2025.

Fiscal Terms

The **Tartaruga** Block is subject to a 9.7% royalty payable to the Government of Brazil plus 1% payable to the landowners in the vicinity of the **Tartaruga** Block. An overriding

royalty of 10% is also payable to Petrobras (Partner). Under the original Participation Agreement with Petrobras, the Company is obliged to carry Petrobras' (25%) capital share of all future wells but is entitled to recover 100% of these costs from future production until the carry share is paid back.

The statutory tax rate applicable to corporate income is 34%. However, the Company has secured, until 2029, an extendable tax rate incentive of 18.75%, making the effective net income tax 15.25%. Corporate income tax is payable on the annual upstream profits of a company after deducting prior year losses of up to 30% of taxable income.

Crude Sales

Crude oil from the **Tartaruga** Field is trucked to an oil terminal in Aracaju, about 65 km south of the **Tartaruga** Facilities. At the moment, there is no limit to crude volumes sold at this terminal. The realized price is fixed to Brent Oil Price plus a slight premium for quality. Processing and shipping charges are applied to the purchase price. Payment is monthly in arrears.

Gas Sales

Starting in 2020 the Company has a Gas Sales Agreement in place with GTW in which the Company sells its associated produced gas, and GTW converts the gas to electricity in gas generators. The Company receives monetary compensation for the gas which is tied to the price of electricity.

Property Description

The **Tartaruga** oil field is situated within the Sergipe sedimentary basin, eastern Brazil. The Company is the 75% owner of the **Tartaruga** oil field with the remaining 25% interest held by the state oil company Petrobras. The **Tartaruga** oil field is located in the northern half of the 13,201 acre (53.4 km²) **Tartaruga** Block and produces 41 API oil from one deviated well and one horizontal well drilled into the early Cretaceous Penedo Formation. The **Tartaruga** oilfield has produced approximately 1.217 million barrels of oil up and until December 31, 2019.

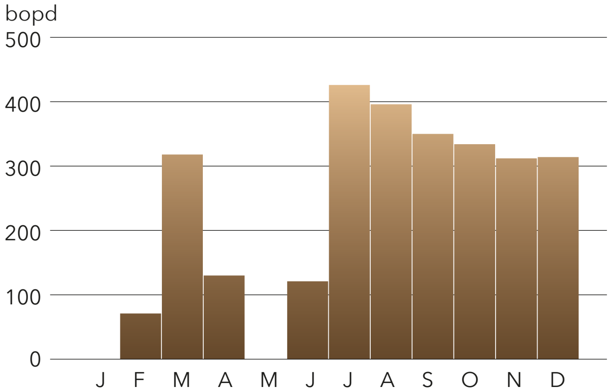
The light oil **Tartaruga** field is currently producing from the Penedo sandstone reservoir. Net reservoir pay has been estimated by Rincon Energy LLC, an independent Geology and Geophysics consulting group based in California, United States, to be in excess of 80 m. The Penedo sandstone consists of 27 separate stacked sandstone reservoirs, all of which have been electrically logged and are believed to contain oil. To date only 2 of these 27 stacked reservoirs have been produced, Penedo 1 and Penedo 6.

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

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

Because of the large potential of the **Tartaruga** structure and relatively limited well data available over the field, more wells are required in order to better understand and delineate the Field. To that end, the Company drilled its' first appraisal well on the structure during 2020. TTG-3 penetrated all 27 Penedo sands in a different fault compartment to the existing producing wells (TTG-1 and TTG-2). Significant information was obtained during the drilling of this well, including conventional cores, sidewall cores and specialized electric logs. Well testing of previously untested sands is ongoing. Results from this well will dictate further drilling locations.

Net Oil Production Tartaruga



Monthly production (bopd) from the Tartaruga Field

USA

LAK Ranch – Heavy Oil Asset

The Company owns and operates a 99% working interest in the **LAK** Ranch heavy 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, computer aided modelling and field pilot tests that a simple water flood using hot water produces the best economic results. As at 31 December 2019, the **LAK** Ranch asset is still considered to be in the pre-production stage and is currently 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.

Phase 3 of Development Plan

During the second half of 2018, the Company completed the Phase 3 of the proposed development plan of the Field. Phase-3 was temporarily paused during 2016 and 2017 due to low commodity prices.

A total of 8 wells were drilled and completed in the fall of 2018 (including 2 horizontal and 6 injector wells). Hot water injection and monitoring of the Phase 3 development program commenced in May of 2019. So far, initial results from the water flood is somewhat below expectations and the Company has decided to suspend operations at the **LAK** Field until the oil market recovers.

Technical work completed during 2015 and 2016 has laid the groundwork for the full field development plan. The full field development plan contemplates hot water injection (rather than steam) playing a more significant role than originally anticipated. The extra cost of hot water injector wells is far offset by the elimination of steam requirements. A 2014 study conducted by RPS Knowledge Reservoir estimates the Best Estimate of Original Oil in Place (OOIP) in the reservoir to be 62 million barrels. As at the end of 2019, approximately 154,000 barrels of oil have been produced from the **LAK** Ranch field since its' discovery.

Fiscal Terms

The Company is the 99% owner and operator of the **LAK** Ranch heavy oil field. The remaining 1% interest in the **LAK** Ranch field is entitled to 1% of revenues after paying production taxes without obligation to pay capital or operating costs and is therefore accounted for as a royalty holder. Production is subject to a sales tax of 12.97% to the State of Wyoming and 14.06% freehold royalties until 2019 at which time the royalty rate on certain areas within the field will increase to a maximum of 17.4%. During 2019, the minimum Freehold royalties were TUSD 120 per annum. Maha (US) Inc is subject to a flat 21% corporate income tax rate. There are no State taxes payable in Wyoming. The **LAK** Ranch lease has an indefinite term as long as a minimum annual royalty is paid.

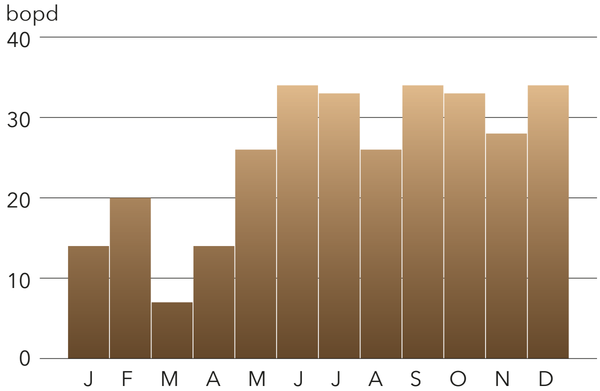
Crude Sales

Crude oil from the **LAK** Ranch is trucked to a nearby refinery in Newcastle, Wyoming. Payment is monthly in arrears. During 2019, the Company generated a revenue of TUSD 309 on an average sales volume of 25 BOPD compared to TUSD 506 of revenue during 2018 from an average of 31 BOPD. During 2019, the **LAK** Ranch oil field produced a total of 9,154 barrels (2018: 10,068 barrels) net to Maha. The average realized price was USD 49.04/bbl (2018: USD 58.02 / bbl) and was sold at a USD 7.5/bbl discount to WTI which includes cost for transportation.

Property Description

The **LAK** Ranch heavy oil field is situated on the eastern edge of the prolific Powder River Basin in Wyoming, USA. The **LAK** Ranch property area is 6,475 gross acres and produces 19° API oil from five deviated wells located in the northern section of the license area. Maha (Canada) acquired the asset in 2013 and has since embarked on a very detailed production optimization and appraisal program of the field. Independent reservoir engineering firm RPS Knowledge Reservoir, of Houston, Texas, has generated a static geological model using Petrel software which has calculated the best estimated Original Oil In Place ("OOIP") to be 62 million barrels at the end of 2014. The Petrel static geological model, that uses accepted industry parameters, was based on fifteen existing representative wellbores to estimate the OOIP. Parameters used in defining the OOIP rely on direct measurements from petro-physical information as well as core data which in turn provide evidence as to the rock's porosity, oil saturation, and permeability. The static geo-model is based on the latest acquired 3D seismic to define the areal extent of the reservoir. As a result of the work completed in 2014, further production optimization work continued in 2015 culminating in a revised development plan based upon historical field production results. Because of the viscous nature of the 19° API oil, the addition of heat in the form of superheated water is modelled to generate a 21% recovery factor. The recovery factor is estimated using the CMG STARS reservoir simulation software which predicts fluid movements through the Petrel static geo-model. The recovery factor is defined as the percentage of producible oil compared to the oil originally in place. Factors influencing the recovery factor include reservoir and fluid characteristics (porosity, permeability, pressure, viscosity, temperature and saturations).

Net Oil Production LAK Ranch



Monthly production (bopd) from LAK Field

Reserves and Resources

Audited Reserves (as at December 31, 2019)

		Oil (million bbls)		
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch	0.111	8.704	5.424	14.239
Tartaruga	4.966	8.234	19.077	32.277
Tie	4.896	12.839	3.477	21.212
Total	**9.973**	**29.777**	**27.978**	**67.728**
Proven (P)				**9.973**
Proven & Probable (2P)				**39.750**
Proven & Probable & Possible (3P)				**67.728**

		Gas (million SCF)		
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch				
Tartaruga				
Tie	3,280	9,218	2,496	14,994
Total	**3,280**	**9,218**	**2,496**	**14,994**
Proven (P)				**3,280**
Proven & Probable (2P)				**12,498**
Proven & Probable & Possible (3P)				**14,998**

		Barrels of Oil Equivalents (million BOE)		
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch	0.111	8.704	5.424	14.239
Tartaruga	4.966	8.234	19.077	32.277
Tie	5.467	14.443	3.912	23.822
Total	**10.544**	**31.381**	**28.413**	**70.338**
Proven (1P)				**10.544**
Proven & Probable (2P)				**41.925**
Proven & Probable & Possible (3P)				**70.338**

Reserve and Resource Classifications

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

Maha's crude oil reserves estimates presented are based on the Canadian standards set out in the Association of Professional Engineers and Geoscientists of Alberta (APEGA) professional standard "The Canadian Oil and Gas Evaluation Handbook (COGEH)". Mahas oil- and gas reserves are valued by Chapman Petroleum Engineering, Ltd, an independent audit and consulting firm for oil- and gas reserves. A summary of those definitions and guidelines is presented below.

Development and Production Status

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

- Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

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

Reserves Categories

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

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

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

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

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

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

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

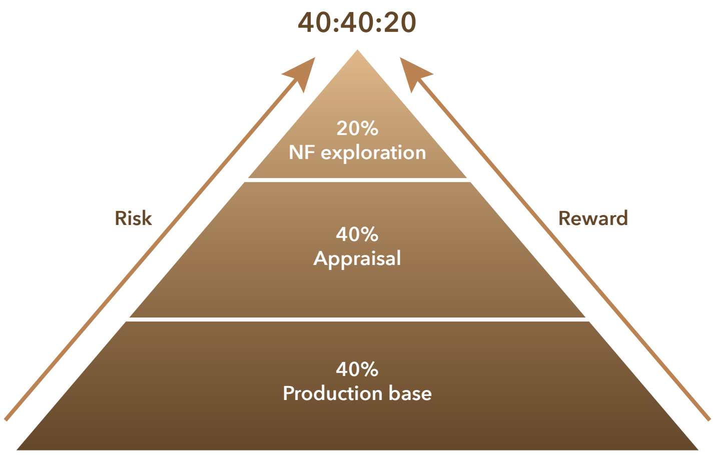
Industry Overview

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

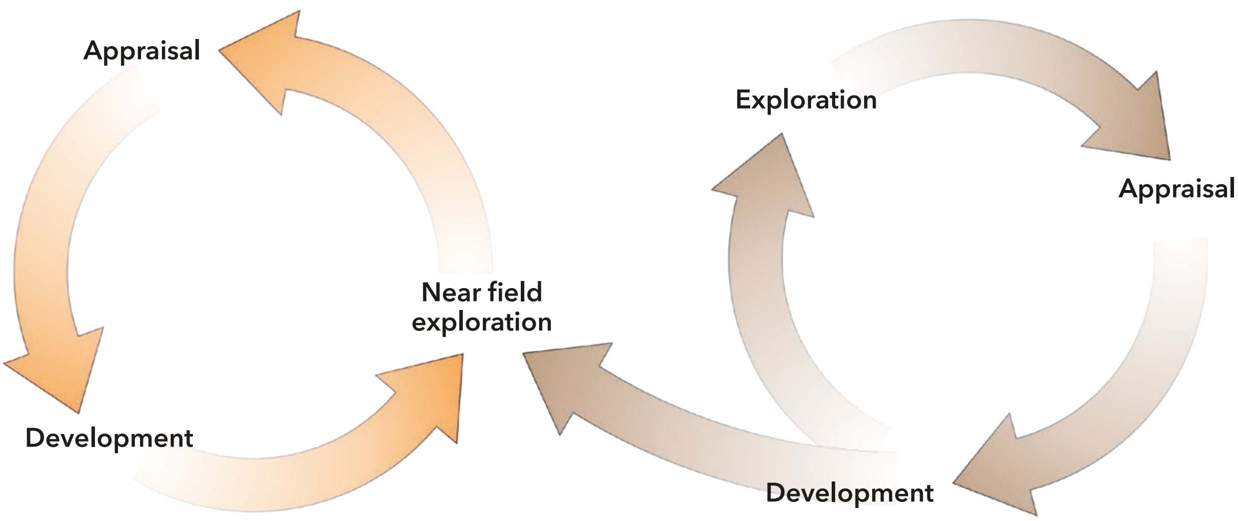
The Oil and Gas Business is made up into three segments; upstream, mid-stream and downstream. The downstream segment focuses on product manufacturing and distribution, for example, refineries and gasoline retail. The midstream segment deals with the storage and transportation of unrefined crude oil and natural gas. Maha Energy AB acts in the upstream sector, which consists of the prospecting, exploration, development and production of crude oil and natural gas.

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

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



The Upstream Development Cycle is based on using funds generated from Production Operations to explore for more oil and gas. It is the Company's philosophy to limit exploration to approximately 20% of its asset portfolio and use only internally generated funds to fund exploration efforts. It is also the Company's philosophy to limit exploration to 'near field exploration'. That is, exploration of undrilled or untested formations that are adjacent or very near existing producing areas. That way, the risk of potential structures and formations not containing hydrocarbons is reduced.



The Global Energy Market

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

Overview of the Oil Market

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

Oil Consumption

Fossil fuel is the world's primary source of energy. Coal, oil and natural gas, combined known as 'fossil fuels', account for close to 81% of the world's energy source,[1] and in 2019 the yearly average global oil consumption was approximately 100.7 million barrels[2] per day. Oil consumption has grown consistently over the past few decades, and from 1984 to 2019, consumption has increased by 77% on a global basis. Global growth on a year-by-year basis has increased by an average of 1.67% since 1984. Oil is used for a wide array of purposes including transportation, petrochemical processes for feedstock, power generation and agriculture. Currently, oil used for transportation in the form of gasoline, diesel and jet fuel is the main source of oil consumption globally, constituting 65%[3] of global consumption in 2019. Transportation is expected to remain a key source of consumption growth going forward with jet fuel and heavy transport accounting for the majority in growth. Gasoline for passenger cars is only expected to grow around 1% over the next 5 years mainly due to vehicle efficiency gains. Jet Fuel accounts for the second largest growth area after Petrochemicals in global oil demand.[4]

Oil Production and Reserves

Oil is found in large quantities on most continents of the world. Oil production is active in all major populated continents and in 2019 the average global production totaled an estimated 100.6 million barrels per day.[4] From 2008 to 2019, production grew at an annual compounded rate of 1.3% per year, and production grew in all major regions of the world however with varying growth between nations. In the period, the United States was the largest growing producer increasing its oil production from 5.0 million barrels per day in 2008 to 12.2 million barrels per day in 2019.[5] About 100 countries produce crude oil. In 2019, 53%[6] of the world's total crude oil production came from five countries: USA-19%, Saudi Arabia–12%, Russia–11%, Canada – 6%, China–5% (numbers include domestic production of crude oil, all other petroleum liquids, biofuels, and refinery processing gain.)

In terms of reserves, nearly half[7] of the total proved reserves in the world today are located in the Middle East, primarily Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. Venezuela, Saudi Arabia, Canada, Iran and Iraq hold 62% of the world's proven reserves as at the end of 2019.[7]

The Oil Price

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

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

In recent history, and since 1986, the price of oil has been determined by the free market. Since 1986, at the commencement of modern market trading of oil, and until 1998, oil prices remained fairly constant at around USD 18/bbl, except for a short spike during the first Gulf War of 1991. For 12 months starting in the summer of 1998, oil prices declined by almost 50% due to weak global demand. In 2000, coupled with a reduction in supply due to the 1998 oil shock, Chinese demand for oil took off in line with their economy. During the years 2001 – 2008, oil prices climbed steadily from USD 18/barrel to over USD 148/barrel in July of 2008. The housing crisis of 2008 sent the oil price plummeting in fear of global economic slowdown. The 2008 oil crash was probably more an overreaction of the market than actual fundamental supply and demand drivers as in 2010 oil prices started to climb back to 2006/07 levels to peak at roughly USD 110/barrel in the summer of 2014.

In September 2014, oil price declined drastically. This downturn, as it turns out, was unprecedented in modern history. Never, since oil trading began in 1986, has oil prices dropped as severe and remained so low for such a long time. The 2014 crash was the result of oversupply, primarily due to the American shale oil entering the markets in 2009/10. US production grew from a mere 5 million barrels a day to nearly 9 million barrels a day in less than 4 years – an astonishing growth. Although the US consumes some 19 million barrels of oil per day, these 4 million barrels meant a 4 million barrel reduction in imports from

1 *"2019 World Energy Outlook", International Energy Agency*
2 *"Short Term Energy Outlook March 2020" Energy Information Agency*
3 *Canadian Association of Petroleum Producers (CAPP)*
4 *"Short Term Energy Outlook March 2020" Energy Information Agency*
5 *"Petroleum and other liquids Data" Energy Information Agency (March 2020)*
6 *"The 10 largest oil producers and share of total world oil production in 2019" Energy Information Agency (March 2020)*
7 *BP Statistical Review of World Energy 2019 68th edition*

Venezuela, Mexico and other countries. These 4 million barrels had to find a new home. And although the supply and demand markets were, and are, tight, the volumes placed on the market by the US shale producers were simply too much for the rest of the world to consume.

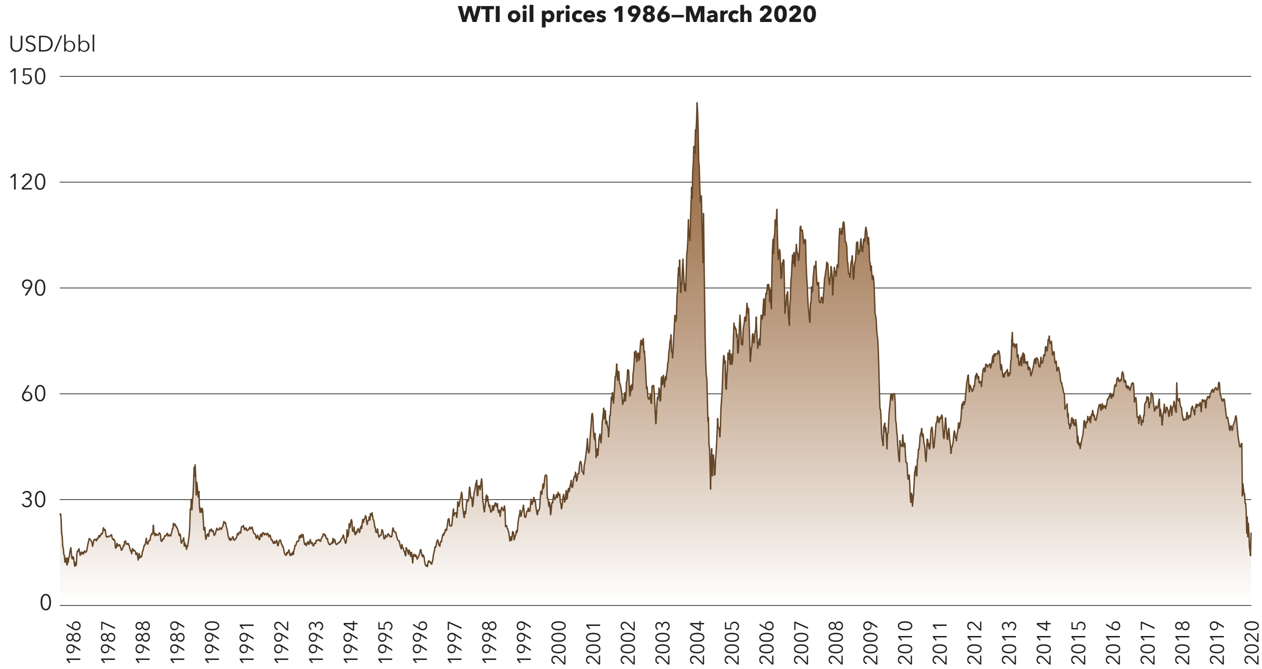
Oil prices continued to drop until the 12th of February, 2016 when WTI hit USD 26/bbl – a price not seen since November 1999 (notwithstanding the 2008 drop). Even though the industry was slow to recognize the severity of the downturn, what followed was a mass exodus of personnel and equipment from the oil fields around the world. The Baker Hughes Rig Count bottomed out at less than 500 rigs in North America, a number that had not been seen since 1998. Prices remained depressed for all of 2015, 2016 and most of 2017. During the second half of 2017, the market started to firm up, and oil broke the USD 60/bbl mark consistently during the last months of 2017 and the beginning of 2018. During 2018, oil prices remained fairly buoyant and stable with a sharp increase towards the end of the third quarter 2018 when oil prices peaked at just over USD 84/bbl. At the end of 2018, largely driven by USA's allowance for a six month temporary respite of the Iran oil sanctions, oil plummeted to around USD 50/bbl. Average Brent oil price for 2018 was USD 71.34/bbl. The beginning of 2019, saw a rebound of the price of oil, and during the first quarter of 2019, oil hovered around the USD 65/bbl mark, and 2019 was fairly uneventful for the oil price with an average Brent price of USD 64.28/bbl .

As predicted in 2017, oil consumption surpassed 100 million barrels of oil per day in 2018. Consumption growth has been fairly steady at 1.3–1.5% per year since 1980 and there are no indications at the present to suggest a flattening or a decline in growth. Add to that that the world's oil is in decline, exception being US shale oil. On average global oil production declines at 4% to 5% per annum, meaning that the industry must replace 6% of oil production every year to keep abreast with demand.

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

The below figure shows the historical development in the price of crude oil from 1986 to March 2020.

WTI oil prices 1986–March 2020



Board of Directors and Management

Board of Directors

The Company has its registered office in Stockholm, Sweden. Pursuant to the Company's articles of association, the board of directors shall consist of not less than three (3) and not more than seven (7) ordinary members, without any deputy members. Currently, the Company's board of directors consists of four (4) ordinary members, appointed until the end of the next annual shareholders' meeting. The composition of the board of directors in the Company has not changed since the Company's Annual General Meeting (AGM) held in Stockholm on 23 May, 2019.

Nick Walker Jonas Lindvall Harald Pousette Anders Ehrenblad

Jonas Lindvall

Mr. Lindvall is a seasoned senior executive with 28 years of international experience in the upstream oil and gas industry across Europe, North America, Africa and Asia. Mr. Lindvall started his career with Lundin Oil during the early days of E&P growth. After 6 years at Shell and Talisman Energy, Mr. Lindvall joined, and helped in securing the success, of Tethys Oil AB. Mr. Lindvall holds a B.Sc. in Petroleum Engineering and a Masters Degree in Energy Business from the University of Tulsa. Jonas holds 4,761,147 shares in Maha.

Nick Walker

Mr. Walker holds a BSc in Mining Engineering from Imperial College London, an MSc in Computer Science from University College London as well as an MBA from City University Business School in London. He has over 30 years of international experience in the upstream oil and gas industry in senior executive/management positions across Europe, Africa, Asia and the Americas including Bow Valley Energy Inc., Talisman Energy Inc. and Africa Oil Corp. Mr Walker is the COO for Lundin Energy AB. Nick holds 464,211 shares in Maha.

Harald Pousette

Mr. Pousette holds a Bachelor of Arts (Economics) from the University of Uppsala, Sweden. Mr. Pousette is currently the Chief Executive Officer of Kvalitena Industrier AB. During his career Mr. Pousette has worked in the finance and real estate industries including recently as CFO of Kvalitena AB. Harald is Chairman of Norrfordon Holding AB, Bil Dahl AB, Bil- och Traktorservice i Stigtomta AB, Jitech AB, and Board member of Stig Svenssons Motorverkstad AB and companies in the Kvalitena Group. Harald holds 874,142 shares in Maha and 445,000 TO-2 Warrants.

Anders Ehrenblad (Chairman)

Mr. Ehrenblad holds a Masters of Science in Business Administration from University of Uppsala, Sweden. Mr. Ehrenblad works in investment, financial and management consulting and has broad experience from various private companies including Investment Manager and partner of Graviton AB, Board Member of RF Coverage AB, AB PiaCare and Maven Wireless AB. Anders holds 779,607 shares in Maha.

Senior Management

Jonas Lindvall – Managing Director
(see information under "Board of Directors")

Alan Johnson – Vice President – Operations
Mr. Johnson holds 1st Class B. Eng (Hons) from Heriot Watt University in Scotland. He is a senior oil and gas executive with more than 25 years of experience working internationally in Europe, Africa, North and South America and Australasia. His experience includes varied technical, managerial and executive roles in drilling, production, reservoir, reserves, corporate planning and asset management. Alan started his E&P career with Shell International in the Dutch North Sea. He then held positions of increasing responsibility with Shell Canada, APF Energy, Rockyview Energy, Delphi Energy, BG Australia and Caracal Energy. His last role was Vice President, Asset Management at Gran Tierra Energy managing their portfolio of assets in Colombia, Brazil and Peru. Alan is a Chartered Engineer in the UK and a Professional Engineer in Alberta

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

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

Victoria Berg – Manager Investor Relations and Interim Deputy Managing Director
Ms. Berg holds a Project Management Diploma from the Frans Schartau Business Institute in Stockholm and studied Communications at Stockholm University. Over the past ten years Victoria has had various roles coordinating and managing events and public/investor relations, and most recently she was instrumental in coordinating Public and Investor Relations for multiple listed clients, including Maha, at Laika Consulting AB.

The Maha Energy Share

On July 29, 2016, Maha Energy AB's class A shares (trading symbol Maha A) and share purchase warrants (trading symbol Maha A TO 1) commenced trading on the NASDAQ First North Growth Market Stockholm stock exhange.

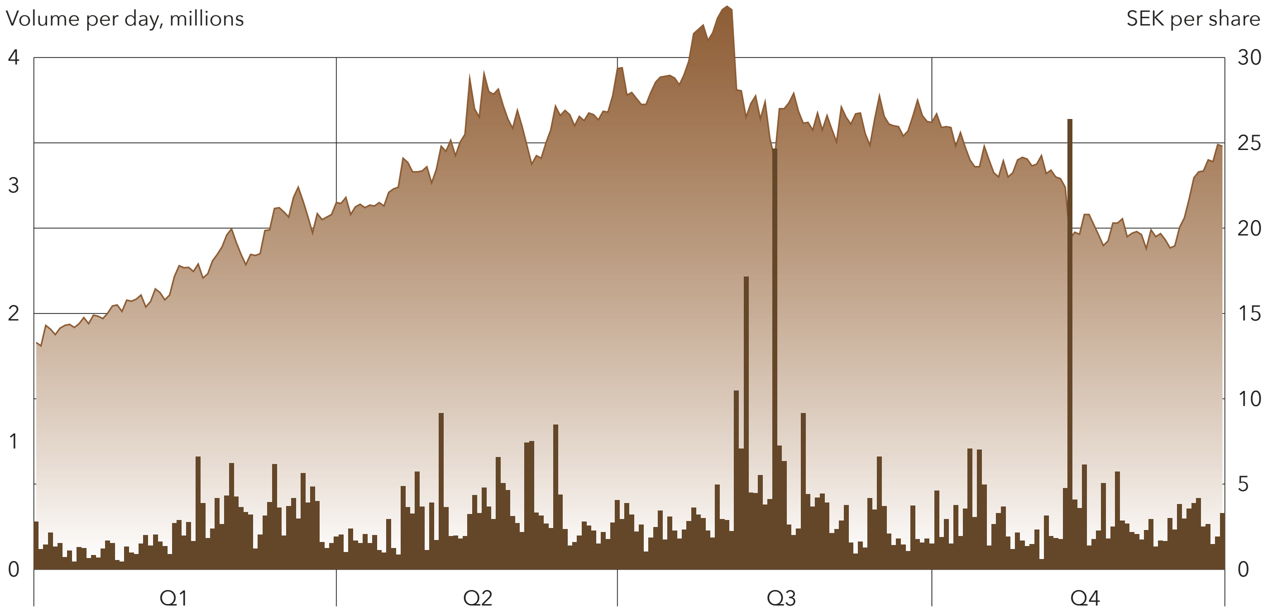
Share Data
As at December 31, 2019 the Company had 100,416,868 shares outstanding of which 92,456,550 were Class A shares and 7,960,318 were class B shares.

Share Ownership at December 31, 2019

Name	Number of Shares	Outstanding Shares
Kvalitena AB	21,421,660	21.3%
Forsakringsaktiebolaget, Avanza Pension	6,154,871	6.1%
Karl Jonas Lindvall (Maha CEO and Managing Director)	*4,761,147	4.7%
Ron Panchuk	2,934,016	2.9%
UBS Switzerland AG / Client Accounts	2,929,224	2.9%
Alandsbanken in place of Owners	2,034,353	2.0%
SIX SIS AG, W8IMY	1,586,189	1.6%
Al Subhi, Talal Saif	1,360,000	1.4%
BNY Mellon NA (Former Mellon)	1,264,753	1.3%
Nordnet	1,197,110	1.2%
Total, ten largest shareholders	**45,643,323**	**45.5%**
Remaining shareholders	54,773,545	54.5%
Total number of Maha A-Shares and B-Shares	**100,416,868**	**100%**

* *Includes 30,000 shares on loan to Penser Bank AB*

2019 Share Price Development

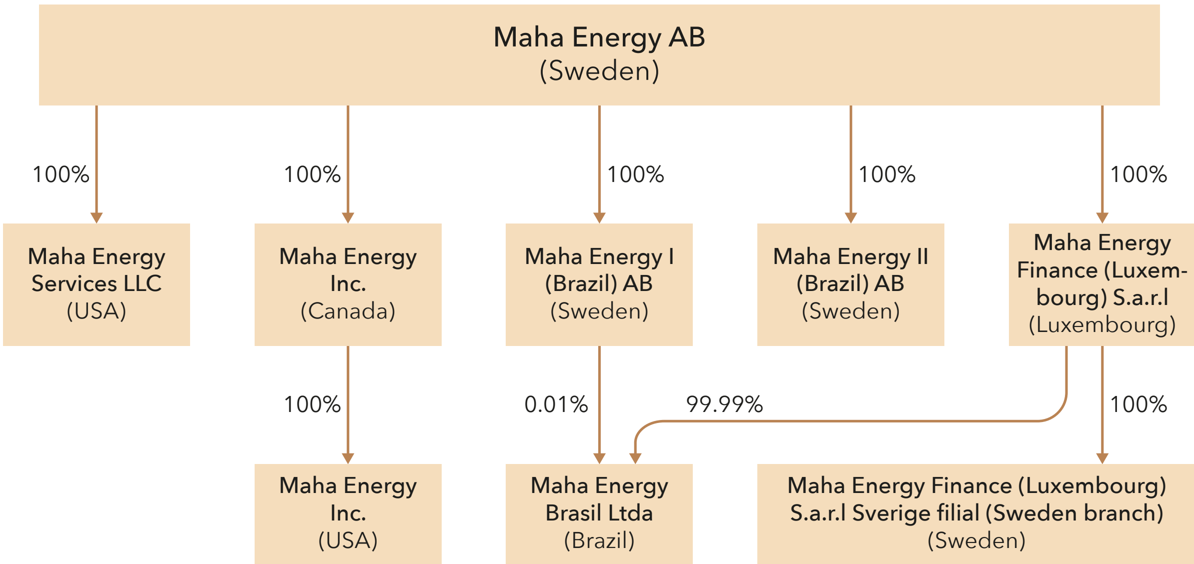


Administration Report

The Board of Directors and the Managing Director of Maha Energy AB (publ) ("The Company" or "Maha") with Company Registration Number 559018-9543, hereby report the Company's Annual Report covering the period 1 January 2019 until 31 December 2019, and the associated consolidated Financial Report for the year 1 January 2019 until 31 December 2019. This report is a review of Maha Energy AB results and management's analysis of its financial performance for the year ended 31 December 2019. The consolidated financial statements included in this Annual Report have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU). Significant accounting policies used are set out in Note 2 to the financial statements. All amounts are expressed in United States Dollars (USD), except in the Parent Company Annual Report where all amounts are expressed in Swedish Krona (SEK), unless otherwise indicated.

Corporate Structure

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



Note: The Company structure shows all the subsidiaries of the Group as of 31 December 2019.

Maha Energy AB is the parent company of a group which includes the Company's subsidiaries Maha Energy Services LLC (incorporation number 2018-002241022), a company incorporated pursuant to the laws of the State of Wyoming, United States of America and Maha Energy Inc. (incorporation number 2018256518), a company incorporated pursuant to the laws of Alberta, Canada and its wholly-owned subsidiary Maha Energy U.S. (incorporation number 2013-000637593), a company incorporated pursuant to the laws of the State of Wyoming, United States of America (which owns 99% of LAK Ranch in the USA), Maha Energy I (Brazil) AB (incorporation number 559058-0907), a Swedish private limited liability company, Maha Energy II (Brazil) AB (incorporation number 559058-0899), a Swedish private limited liability company, Maha Energy Finance (Luxembourg) S.A.R.L (incorporation number – B163089) a company incorporated pursuant to the laws of Luxembourg owning 99.9% of the issued and outstanding shares of Maha Energy Brasil Ltda. (incorporation number 11.230.625/0001-66) and Maha Energy I (Brazil) AB owning remaining 0.01%. This Brazil limited company owns 100% of the Tie Field, and Blocks 155, 117, 118, 129, 142, 224 and 75% of Tartaruga Block in Brazil.

Changes in the Group

On 1 June 2019, the Company merged its two Brazil subsidiaries, UP Petroleo Brasil Ltda and Petro Vista Energy Petroleo do Brasil Ltda that each held 37.5% ownership in the Tartaruga Block in Brazil, with Maha Energy Brasil Ltda. Maha Energy Finance (Luxembourg) S.A.R.L now owns the 99.99% of the merged entity, Maha Energy Brasil Ltda and Maha Energy I (Brazil) AB now owns the remainder 0.01% of the ownership in Maha Energy Brasil Ltda. Maha Energy II (Brazil) AB has no subsidiaries or ownership after the merger.

The consolidated financial statements reflect the activity of Maha for the years ended 31 December 2019 and 2018.

Financial Results Review

Result

The net result for the year amounted to the profit of TUSD 19,654 (2018: TUSD 25,645) representing earnings per share of USD 0.20 (2018: USD 0.26). The current year result was lower than last year mainly due to 2018 result included one-time gain on contractual liabilities of TUSD 822 and deferred tax asset recognition of TUSD 11,259. The current year profit was impacted by lower realized prices but compensated by higher production volumes resulting in higher revenue which was offset by higher depletion costs and income taxes for the year.

Earnings before interest, tax, depletion and amortization (EBITDA) for the year amounted to TUSD 35,868 as compared to TUSD 22,404 for the comparative period. Higher EBITDA for the year represents higher operating results for the year driven mainly by higher production volumes for the year.

Production

	2019	2018
Delivered Oil (Barrels)[1]	1,019,047	609,087
Delivered Gas (MMSCF)	552,862	296,189
Delivered Oil & Gas (BOE)[2]	1,111,191	658,452
Daily Volume (BOEPD)	3,044	1,804

Production volumes shown are net working interest volumes before government and freehold royalties. Approximately 92% (2018: 92%) of Maha's oil equivalent production is crude oil.

2019 average daily production volumes increased by 69% as compared to 2018 mainly due to commencement of production from the new Attic well in the Tie field and the workovers of the GTE-3 and 7TTG wells. In addition, production volumes were positively impacted as Maha managed to secure additional deliveries to both the gas and oil customers for the Tie Field production. 2018 production volumes were impacted by the Tartaruga production shut in for the second half of the year.

Revenue

	2019	2018
Oil & Gas revenue (TUSD)	55,589	38,132
Sales volumes (BOE)	1,066,084	647,607
Oil realized price (USD/BBL)	56.32	63.18
Gas realized price (USD/MSCF)	1.11	1.17
Equivalent Oil realized price (USD/BOE)	52.14	58.88
Reference Price – Brent (USD/BBL)	64.36	71.06

Revenue for the year amounted to TUSD 55,589 (2018: TUSD 38,132) and was comprised of oil and gas sales and other revenue as detailed in Note 4. Revenue for the year was 46% higher against the comparative period due to 65% higher sales volumes while oil realized price was lower by 11%. Lower realized prices are in line with the fluctuations in the Brent oil marker during the related periods.

Other revenue is in relation to gas sales contract take-or-pay obligations are included in the total oil equivalent realized price calculation.

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 Consolidated Financial Statements.

Crude oil realized prices 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, the current discount is USD 8/BBL. Effective April 1, 2019 and for the following twelve months, crude oil from the Tie Field to Petrobras' Carmo station is sold at a discount to Brent oil price of USD 6.09/BBL plus an additional 3.52% discount on the resulting net price. During the fourth quarter, additional oil delivery capacity was obtained through Petrobras' Camboata station which is sold at a discount to Brent oil price of USD 10.49/BBL for the first 22,680 monthly delivered barrels, and USD 6.09 thereafter.

Tartaruga Field crude oil

Crude oil from the Tartaruga Field is entirely sold to Petrobras. During the first half of 2019, crude oil from the Tartaruga Field was sold at a premium to Brent of USD 0.41/BBL. Effective July 1, 2019 and for the following twelve months, it will be sold at a premium of USD 0.16/BBL.

Royalties

	2019	2018
Royalties (TUSD)	7,449	4,805
Royalties as a % of revenue	13.4%	12.6%
Per unit (USD/BOE)	6.99	7.42

Royalties are settled in cash and based on realized prices before discounts. Increase in the royalty expense for the year is consistent with the higher revenue for 2019. Royalty expense as a percentage of revenues was slightly higher for 2019 than the comparative periods due to higher royalty-rate Tartaruga oil sales during 2019.

Production expenses

(TUSD, unless otherwise noted)	2019	2018
Production and operating costs	5,022	5,468
Transportation costs	1,579	942
Total Production and operating costs	6,601	6,410
Per unit (USD/BOE)	6.19	9.89

Production and operating costs for the year amounted to TUSD 5,022 (2018: TUSD 5,468), and were lower than the comparative period by 8% when sales volumes were higher by 65%, showing that the majority of Production and operating costs are fixed as well as the operating efficiencies obtained following production facilities upgrades.

Maha's production is mainly trucked to the delivery points therefore transportation costs are highly correlated to the sales volumes. Higher sales during 2019 resulted in

1 Includes LAK Ranch delivered oil of 9,124 BBLs in 2019 and 10,068 BBLs in 2018.

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

higher transportation costs. Excluding transportation, as the majority of production expenses are fixed, production costs on a per BOE basis decrease as production volumes increase. On a per BOE basis, costs were lower by 37%, as a result of higher sales volumes for the full year of 2019 as compared to 2018.

Operating Netback

	2019	2018
Operating Netback (TUSD)	41,539	26,917
Netback (USD/BOE)	38.96	41.57

Operating netback is calculated as revenue less royalties and production expenses and is a metric used in the oil and gas industry to measure internal performance and against industry peers. Operating netback for the year was 54% higher against the comparative period as a result of overall increase in sales volumes despite lower realized prices during the year. This is observed on a per BOE basis, where operating netback decreased 6% for the year reflecting the effect of lower realized prices.

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.

General and Administration expenses ("G&A")

	2019	2018
G&A (TUSD)	5,464	4,222
G&A (USD/BOE)	5.13	6.52

G&A expense amount of TUSD 5,464 (2018: TUSD 4,222) for the year is higher by 29% as compared to 2018. Higher G&A expenses for the year relate to a one-time bonus payment to staff during 2019, severance costs of a former member of senior management, costs relating to certain internal projects and fees incurred for the corporate reorganization of entities within the Group. On a per BOE basis, G&A expenses are lower by 21% than the comparative period due to higher sales volumes. See also Note 6 for details of G&A expenses.

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

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

	2019	2018
DD&A expense (TUSD)	5,671	3,762
DD&A expense (USD/BOE)	5.32	5.81

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

DD&A expense for the year amounted to TUSD 5,671 (2018: TUSD 3,762) at an average rate of USD 5.32 per BOE (2018: USD 5.81) and are detailed in Note 9. Decrease in the depletion rate is a result of added 2P reserves in the Tie field and the Tartaruga block at the end of the year.

DD&A expense also includes depreciation expense for other equipment and right-of-use assets. Implementation of IFRS 16 did not have a material impact on DD&A expense.

Exploration and business development costs

Exploration and business development costs amounted to TUSD 802 for the year as compared to nil for the comparative period. Exploration and business development costs are related to costs incurred for the maintenance of the exploration blocks in Brazil, as well as for business development activities.

Foreign currency exchange gain or loss

The net foreign currency exchange gain for the year amounted to TUSD 159 (2018: TUSD 347). 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 year amounted to TUSD 4,476 (2018: TUSD 4,715) and are detailed in Note 5. The implementation of IFRS 16 did not have a material impact on net finance costs.

Other gain or loss

Other loss amounted to TUSD 370 for the year as compared to gain of TUSD 822 for the year ended 2018. Other loss in the year represents net changes in other long-term liabilities and provision and write-off of receivable related to the sale of Canadian assets Prior period gain of TUSD 822 represents the reversal of provisions recorded during the acquisition of the Brazilian business unit of Gran Tierra Energy Inc. in July 2017 as the Company was able to negotiate and terminate a contingency payment in relation to meeting certain operational milestones as per the original agreement with prior block owner.

Income Taxes

Current tax expense for the year was TUSD 2,636 as compared to TUSD 710 for the same period last year. Maha has taxes payable in Brazil due to positive taxable income for the year. 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 tax incentives (SUDENE) in both its fields allowing for the reduction of 75% of the corporate income tax of 25% to 6.25%, bringing the combined tax rate to 15.25%.

Deferred tax expense amounted to TUSD 2,418 for the year as compared to tax recovery of TUSD 11,259 for 2018. The deferred tax expense is a result of the unwinding of the deferred tax asset related to estimated tax-deductible temporary differences and tax loss carry-forwards. In 2018, during the fourth quarter the Company determined that there was a reasonable certainty that it will be able to recover previously unrecorded tax assets associated with Tie Field therefore recorded a deferred tax asset of TUSD 11,259.

Balance sheet

Non-current assets

Property, plant and equipment amounted to TUSD 76,243 (2018: TUSD 58,834) and are detailed in Note 9. Exploration and evaluation expenditure amounted to TUSD 21,216 (2018: TUSD 20,685) and are detailed in Note 8.

Total expenditures incurred during the year were as follows:

(TUSD)	Brazil	USA	Total
Development	24,615	–	24,615
Exploration and evaluation	–	165	165
	24,615	**165**	**24,780**

The 2019 development expenditures in Brazil mainly relates to drilling of the two new wells during the year: the Attic well in the Tie Field and the TTG Maha-1 well in the Tartaruga Block. The Attic well was spudded at the beginning of the year and began to produce by June 2019. This well is currently producing and has added to the increased production volumes in 2019. The TTG Maha-1 Well is primarily an appraisal well to provide well information for the Tartaruga Block development. This well was drilled during the year; however, it is pending testing which has commenced in 2020. In addition, 107D well horizontal sidetrack workover was completed during the year and testing phase was commenced.

In addition to the two new wells, Maha spent capital on its production facilities to upgrade the Tie Facility's handling capacity from 2,000 BOPD to 5,000 BOPD and during the second half of 2019, facilities upgrade work began at Tartaruga 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 project that will handle the excess gas for this upgrade.

The LAK ranch property produced a just over 9,000 barrels of oil during the year. During 2019, the Company completed tie-in of the additional 6 injector wells and 2 horizontal wells. Additional capital is planned for subsequent years; however, the exact amount of capital is dependent on the results of each progressive phase and the future costs of the required services at the time. Maha continues to monitor production and field performance for better understanding of commercial viability of the field.

In 2018 Maha recognized a deferred tax recovery of TUSD 11,259 as detailed in Note 7. The deferred tax asset was arisen primarily as a result of estimated tax loss carry-forwards of BRL 196 million (USD 50.6 million) and certain deductible temporary differences which can be used in future years to reduce future taxable income (up to 30% of the yearly taxable income) in the Tie Field. During 2019, deferred tax asset was reduced to TUSD 7,955 as a result of usage of some of the loss carry-forwards towards the current taxable income.

Performance bonds and others amounted to TUSD 178 (2018: TUSD 177) and represents the Company's financial guarantee to operate the lease in LAK Ranch area.

Current assets

Crude oil inventories amounted to TUSD 414 (2018: TUSD 57) from oil inventory in Brazil. The increase compared to last year is due to inventory built up in Tartaruga production delivery terminal at yearend which was subsequently sold. Tartaruga's inventory is sold once it is loaded on the shipping vessels.

Prepaid expenses and deposits amounted to TUSD 1,255 (2018: TUSD 686) and represented mainly prepaid operational and insurance expenditures. 2019 prepaid expenses increased due to prepaids relating to certain capital projects.

Accounts receivables amounted to TUSD 4,739 (2018: TUSD 4,368) and are detailed in Note 10. Trade receivables, which are all current, amounted to TUSD 4,394 (2018: TUSD 3,127) and included invoiced oil and gas sales.

Restricted cash amounted to TUSD 1,567 (2018: TUSD 2,804) and includes cash related to bank guarantees and financial commitments. Restricted cash was reduced during the year as Maha was able to eliminate a bank guarantee relating to abandonment of future wells. Further details are in Note 25.

Cash and cash equivalents amounted to TUSD 22,450 (2018: TUSD 20,255) and increased during 2019 from funds generated from operations. Cash balances are held to meet ongoing operational funding requirements, if required.

Non-current liabilities

The Bonds payable amounted to TUSD 30,621 (2018: TUSD 31,180) and are detailed in Note 14. Capitalised financing costs relating to the establishment costs of the Maha's Bonds are being amortised over the expected life of the Bonds.

The decommissioning provision amounted to TUSD 2,175 (2018: TUSD 1,720) and relates to future site restoration obligations as detailed in Note 15. Increase in the provision is related to the additional provision setup for the two new wells drilled in Brazil as well as revisions of certain assumptions at year end.

The lease commitments amounted to TUSD 380 and related to the long-term portion of the lease commitments following the implementation of IFRS 16 with effective date 1 January 2019. The short-term portion of the lease commitment was classified as current liability.

Other long-term liabilities and provisions amounted to TUSD 7,812 (2018: TUSD 8,093) and are detailed in Note 16. Other long-term liabilities and provisions mainly include a provision for the minimum work commitments on certain exploration blocks acquired as part of the Tie Field

Acquisition. In addition, a provision for labour and contractors claims is also included. Maha increased the provision for minimum work commitments in 2019 due to the approval of environmental licences on two of the exploration blocks; however, this increase was offset by a reduction in the provision concerning labour and contractors claims.

Current liabilities

Accounts payables amounted to TUSD 4,533 (2018: TUSD 4,029) and accrued liabilities amounted to TUSD 2,406 (2018: TUSD 4,829) and are detailed in Note 18. Accrued liabilities were higher in 2018 due to ongoing capital activity at yearend in the Tartaruga Block whereas no significant capital project was underway at yearend of 2019. Current portion of the lease commitment amounted to TUSD 231.

Share data

	Shares outstanding	
Class	**31 December 2019**	**31 December 2018**
A	92,456,550	90,259,168
B	7,960,318	8,109,882
C2	–	50,000
Total	**100,416,868**	**98,419,050**

During 2019, a total of 1,997,818 of warrants were exercised and the same number of new shares of class A were issued. In addition, 149,564 Class B shares were converted to Class A shares. The Company has detailed the conversion of class B shares to Class A shares in its previously published prospectus and is available on the Company's website. Also, during the year remainder of 50,000 C2 options were exercised for which same number of Class A shares were registered and issued.

Cash flow

Cash flow from operating activities amounted to TUSD 28,824 (2018: TUSD 18,343), an increase from prior year mainly due to higher operating cash flow from higher production volumes despite lower realized price. Cash flow from investing activities amounted to TUSD -27,210 (2018: TUSD -15,756) mainly due to higher capital expenditure on development of producing oil and gas properties during the year. Cash flow from financing activities amounted to TUSD 1,412 (2018: TUSD 1,721) and mainly relates to cash received from the exercise of warrants offset by the lease commitment payments during the year.

Liquidity and capital resources

As at 31 December 2019, the Company had current assets of USD 30.4 million comprised primarily of cash and cash equivalents, restricted cash, accounts receivable and prepaid expenses and inventory. The Company had current liabilities of USD 7.2 million resulting in net working capital of USD 23.2 million (31 December 2018: USD 19.3 million).

Financial Risks

The Company is in the oil exploration and development business and is exposed to a number of risks and uncertainties inherent to the oil industry. This business is capital intensive at all stages and subject to fluctuations in oil prices, market sentiment, currencies, inflation and other risks. The Company has cash in hand and expects to generate cash flow from operations to fund its development and operating activities. Material increases or decreases in the Company's liquidity may be substantially determined by the success or failure of its development activities, a prolonged period of significant decline in crude oil prices and its continued ability to raise capital or debt. For additional information on financial risks identified by the Company, please refer to Note 21 to the Financial Statements as well as please refer to Note 33 for subsequent to yearend impact of decline in oil prices.

Legal matters

The Company has a number of 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 we approach each other and the environment.

Additional information on environmental, decommissioning and abandonment obligations in relation to oil and gas leases is presented in Note 15 to the Consolidated Financial Statements.

Related Party Transactions

The Company did not enter into any material transactions with related parties in 2019. See Note 26 for details.

Seasonal Effects

Maha Energy has no significant seasonal variations.

Subsequent Events

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. for cash consideration of USD 4.0 million and assumption of USD 0.25 million in current liabilities, subject to working capital adjustments. A future contingent consideration of USD 3.0 million is possible if certain oil prices and production levels are met before 2023. The assets acquired strengthens Maha's production capabilities in the United States.

The initial accounting for this transaction was not complete at the time these consolidated financial statements were approved by the Board of Directors. As such, certain disclosures required under IFRS 3 in respect of the above transaction cannot yet be made.

Subsequent to year end, oil commodity prices declined significantly during the month of March as a result of Covid-19. While it is not possible to reliably estimate the length of this price decline, and hence their financial impact, if oil prices would remain at or below these levels for an extended period of time, this could have a material adverse impact on our financial results for future periods and impairment indicators for the Company's oil and gas assets would exist at 31 March 2020 or at a later quarter.

In light of the outbreak, Maha has been following the events closely and taking measures to minimize the impact on its operations. Additionally, and as previously disclosed, the Company has as a result of the current oil market conditions made revisions to its 2020 capital program and will continue to monitor the Company's forecasts and operating and capital investment plans.

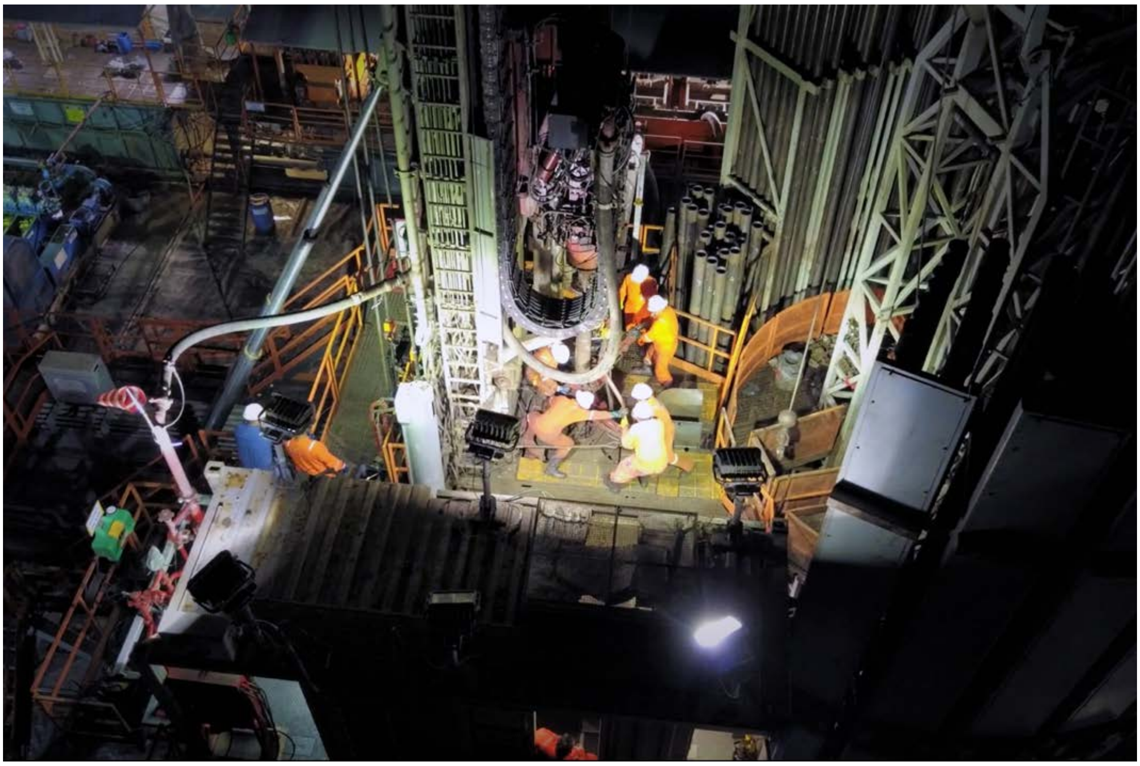
Parent Company

Business activities for Maha Energy AB focuses on: a) management and stewardship of all Group affiliates, subsidiaries and foreign operations; b) management of publicly listed Swedish entity; c) fundraising as required for acquisitions and Group business growth; and d) business development. The Parent Company has one part-time investor relations employee.

Proposed Distribution of Earnings

The Board of Directors proposes no dividends to be paid for the year. Furthermore, the board of Directors proposes that the unrestricted equity of the Parent Company of SEK 425,589,406 including the net result for the year of SEK (43,952,604) be brought forward as follows:

(SEK)	
Dividend	–
Carried forward	425,589,406
Total	**425,589,406**



Corporate Governance Report

Maha Energy is committed to a corporate governance frame work that ensures its business is operated ethically and responsibly in accordance with best practices for public Companies of a similar size and scope and seeks to ensure the interests of shareholders, management and the Board of Directors remains aligned.

This report will outline and report on the corporate governance practices and systems of the Company through which owners, directly or indirectly, control a company. The shares are listed on Nasdaq First North (MAHA-A) and the Maha Secured Bonds 2017-2021 are listed on Nasdaq OMX (MAHA 101), both in Stockholm. As the Company is not formally required to follow the Swedish Code of Corporate Governance (the "Code"), this 2019 Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act. It explains how Maha has conducted its corporate governance activities during 2019. The Company is not aware of any deviations from Annual Accounts Act, Nasdaq Stockholm's rule book for issuers, recommendations from the Swedish Securities Council, decisions from Disciplinary Committee at Nasdaq Stockholm or statements from the Swedish Securities Council.

Regulatory Framework

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

The external regulations and laws governing the Company include:

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

The Company's internal corporate governance instruments include:

- **Articles of Association** – these contain customary provisions regarding the Company's governance and do not contain any limitations as to how many votes each shareholder may cast at Shareholders' Meetings, nor any special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.
- **Instructions and Rules of Procedure for Financial Reporting, the Managing Director and the Board of Directors as approved by the Board of Directors (the "Board")** – *see section "The Board and its Function" below*
- **Maha Group polices such as Anti-corruption Policy, HSE Policy, Insider Policy, Code of Business Conduct and Ethics** – dedicated group policies, procedures and guidelines have been developed to outline specific rules and controls. The policies, guidelines and procedures cover areas such as Operations, Accounting and Finance, Health, Safety and Environmental, Environment, Anti-Corruption, Human Rights, Information Systems, Insider Information and Corporate Communications and are continuously reviewed and updated as and when required. The Company announced it was commencing preparations to transfer its listing from Nasdaq First North to Nasdaq Main Board – both in Stockholm. As part of these preparations the Company is preparing a new recommended suite of Main Board compliant Policies and Instructions for approval by the Board of Directors in due course.
- **Board Committee Terms of Reference, Mandates and Policies** – *see section "The Board and its Function" below*

The Company regularly seeks advice from its legal counsel, Setterwalls Advokatbyra AB (Stockholm) and Certified Advisor, FNCA Sweden AB (Stockholm) on corporate governance matters. In 2019 the Company implemented a software system to assist in complying with its Information Policies and the relevant Market Abuse Regulations.

Shareholders

The Company's shares (MAHA-A) are traded on Nasdaq First North Growth Market and the Company's Secured Bonds 2017–2021 (MAHA 101) are traded on Nasdaq OMX. At year-end 2019 the share capital amounted to TSEK 444,792, represented by 100,416,868 shares, of which 92,456,550 were Class A shares and 7,960,318 were class B shares. The class A and B shares have one (1) vote per share. Kvalitena AB is the only shareholder with a holding in excess of 10 percent of shares and votes, with a holding of approximately 21 million shares representing a 21.3 percentage of shares and votes. For further information on share, share capital and shareholders *(see section "The Maha Share")*.

Annual General Meeting

The Annual General Meeting ("AGM") must be held within six (6) months of the close of the fiscal year. The Company calls the meeting through announcements in the Swedish Official Gazette, the Svenska Dagbladet and published on the Company's website. All shareholders who are listed in the share registry on the record date, and who have notified the Company of their participation in due time, are entitled to participate in the AGM. Shareholders of Class A and B shares are entitled to exercise their respective voting rights in accordance with the description above (Shareholders). Under the Articles of Association and Swedish law, the AGM must address those matters listed below marked with "*". The 2019 AGM (in compliance with the Articles of Association and Swedish laws) was held in Stockholm on May 23, 2019. Thirty-Eight (38) shareholders were represented at the AGM, representing 20.6 percent of the votes and share capital in the Company. The submissions and resolutions passed by the 2019 AGM included the following:

- Submission of the annual report and the auditor's report and the consolidated financial statements and the auditor's report on the group*;

- Approval of administrative matters concerning the AGM*;
- Resolution in respect of adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and the consolidated balance sheet*;
- Resolution in respect of the members of the Board and the Managing Director's discharge from liability*;
- Determination of the number of members of the Board and the number of auditors and, where applicable, deputy auditors;
- Determination of the fees payable to the members of the Board and the auditors*;
- Election of members of the Board, auditors and, where applicable, deputy auditors*;
- Resolution regarding principles for the appointment of and instructions regarding a Nomination Committee (see below)*;
- Resolution regarding an incentive program and issuance of warrants (LTIP) (see below);
- Resolution regarding authorisation for the Board to increase the share capital by up to 20%. The board of directors was authorized to resolve on issuance of new shares, warrants and/or convertible debentures during the period until the next annual general meeting and at one or more occasions;

Nomination Committee and its Function

In accordance with the Nomination Committee process approved by the 2019 AGM, the Nomination Committee for the 2020 AGM consists of members appointed by three (3) of the largest shareholders of the Company based on shareholdings as at 30 September 2019 and the Chairman of the Board. The names of the members of the Nomination Committee were announced and posted on the Company's website on 26 November 2019 (within the time frame of six (6) months before the AGM, as prescribed by the Code).

The Nomination Committee for the 2020AGM consists of:

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

The Nomination Committee for the 2020 AGM is currently completing its mandate. The Nomination Committee Report, including the final proposals to the 2020 AGM, is published on the Company's website at the same time the Notice of the AGM is given. The Nomination Committee has met and conferenced 5 times during which all members attended or were in conference.

The Nomination Committee's purpose is to produce proposals for certain matters including, amongst others, the following (which will be presented to the 2020 AGM for consideration):

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

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

The Board and its Function

Board of Directors

Pursuant to the Company's Articles of Association, the Board shall consist of not less than three (3) and not more than seven (7) ordinary members, without any deputy members. There are no specific stipulations in the Company's Articles of Association on how the board members should be assigned or dismissed. Currently, the Company's Board consists of four (4) ordinary members, appointed until the end of the next annual shareholders' meeting. The composition of the Board of the Company changed at the 2019 AGM. The current Board is as follows: Mr. Anders Ehrenblad (Chairman), Mr. Jonas Lindvall, Mr. Nick Walker and Mr. Harald Pousette (see bios in section "The Board of Directors and Management").

During 2019, the Board convened regularly. All members of the Board participated in each Board meeting.

Member	Elected	Position	Year of Birth	Nationality	Independent in Relation to Company	Independent in relation to the Company's larger shareholders
Anders Ehrenblad	2014	Chairman	1965	Swedish	Yes	Yes
Jonas Lindvall	2013	Member	1967	Swedish	No	No
Nick Walker	2019	Member	1962	British	Yes	Yes
Harald Pousette	2017	Member	1965	Swedish	Yes	No

Rules of Procedure

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

Board's Yearly Work Cycle

Q1

- Approval of Q4 and Year End Report
- Approval of Reserves Report
- Hedging Review
- Approval of Long-Term Incentive / Warrants
- Approval of Executive and Non-Executive Remuneration / Bonus
- Human Resources Review
- Review and Update of Policies
- Annual Assessment of Internal Controls
- 1 year and 5 year Strategic Plan
- Operations Update
- Capital Plan Update
- Investor Relations
- Business Development Discussion
- Quarterly Actual to Budget Review
- CFO Report

Q2

- Approval of Q1 Financials
- Approval of materials for AGM
- Approval of Annual Report
- Corporate Risk Analysis
- Contingent Liabilities Review
- Operations Update
- HSE Review
- Investor Relations
- Management Review
- Approval of Instructions to Managing Director / Financial Reporting
- Quarterly Actual to Budget Review
- CFO Report
- Government Payment Report

Q3

- Approval of Q2 Financials
- Quarterly Actual to Budget Review

Q4

- Approval of Q3 Financials
- Review and Update of Policies
- Annual Assessment of Internal Controls
- 1 year and 5 year Strategic Plan
- Operations Update
- Capital Plan Update
- Hedging Review
- Investor Relations
- Business Development Discussion
- Quarterly Actual to Budget Review
- CFO Report
- Budget / Capital Plan

Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain matters, the Board has formed three (3) committees: Audit Committee; Compensation, Corporate Governance and Disclosure Committee; and Reserves/HSE Committee. Committee members are appointed by the Board within the Board members up to the next AGM. The Committee's duties and authorities are governed by those Mandates, Policies and Terms of Reference described below.

Audit Committee

The Board established an Audit Committee just after the 2019 AGM for the period up to and including the 2020 AGM, consisting of Harald Pousette as Chairman, Nick Walker and Anders Ehrenblad. The previous Audit Committee (up to the 2019 AGM) was Wayne Thomson as Chairman, Harald Pousette and Anders Ehrenblad.

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

Compensation, Corporate Governance and Disclosure Committee

The Board established a Compensation, Corporate Governance and Disclosure Committee shortly after the 2019 AGM for the period up to and including the 2020 AGM, consisting of Anders Ehrenblad as Chairman, Harald Pousette and Nick Walker.

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

As and when Corporate Governance and/or public disclosure issues arise under the Company's Policies this Committee assists the Board as well.

Reserves/HSE Committee

The Board established a Reserves/HSE Committee shortly after the 2019 AGM for the period up to and including the 2020 AGM, consisting of Nick Walker, Chairman and Jonas Lindvall. This Committee convened as required in 2019. This Committee is governed by the Reserves and HSE Committee Terms of Reference and the Health, Safety and Environmental Policy Document. The work has mainly focused on following up on evaluation of and recommendation on appointment of independent qualified reserve auditor, oversight of the reserves audit process and review of operations and HSE management systems as required. This Committee made recommendations to the Board, normally in conjunction with the Board meeting and particularly in respect of the Company's Reserve Report.

Board Member	Attend	Audit Committee	Attend	Compensation/ Corp Governance /Disclosure Committee	Attend	Reserves Committee	Attend
Anders Ehrenblad	5/5	Yes	5/5	Yes (Chairman)	2/2	–	–
Jonas Lindvall	5/5	–	–	–	–	Yes	1/1
Nick Walker	5/5	Yes	5/5	Yes	2/2	Yes (Chairman)	1/1
Harald Pousette	5/5	Yes (Chairman)	5/5	Yes	2/2	–	–

External Auditors

At the 2019 AGM and for the period until the conclusion of the next Annual General Meeting the accounting firm Deloitte AB was elected as Maha's independent auditor. The Auditor in charge is Fredrik Jonsson.

Financial Reporting and Control

The Board of Directors has the ultimate responsibility of the internal controls for the financial reporting. Maha's systems of internal control, with regard to financials reporting, is designed to minimize risks involved in financial reporting process and ensure a high level of reliability in the financial reporting. Furthermore, the system of internal control ensures compliance with applicable accounting requirements and other disclosure requirements that Maha is required to meet as a publicly listed company.

Internal Controls

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

On October 12, 2018 the Company announced it was commencing preparations to transfer its listing from Nasdaq First North to the Nasdaq Main Board both in Stockholm. These preparations have begun which included a full-scale review of its internal controls and risk management systems. An independent consultant was retained to assist the Company during its preparation for the listing upgrade and in annually preparing an independent report to the Board of Directors on the adequacy of the Company's internal controls over financial reporting.

Remuneration for Board Members and Senior Management

For additional information on Board member and senior management compensation please refer to Note 28 to the Financial Statements.

Information and Communication

The Board has adopted a Disclosure policy and an Internal Disclosure Procedure for the purpose of ensuring that the external information is correct and complete. There are also instructions regarding information security and how to communicate financial information. In 2019, the Company implemented a software system to assist in complying with its Information Policies and the relevant Market Abuse Regulations.

Monitoring

Both the Board and the management follow up on the compliance and effectiveness of the company's internal controls to ensure the quality of internal processes. The audit committee ensures and monitors that adequate controls are in place for the identified areas of risk related to financial reporting activities.

Financial Statements

Consolidated Statement of Operations

For the Financial Year Ended 31 December

(TUSD) except per share amounts	Note	2019	2018
Revenue			
Oil and gas sales	4	55,589	38,132
Royalties		(7,449)	(4,805)
Net Revenue		**48,140**	**33,327**
Cost of sales			
Production expense		(6,601)	(6,410)
Depletion, depreciation and amortization	9	(5,671)	(3,762)
Exploration and business development costs		(802)	–
Financial instruments	19	–	(74)
Gross profit		**35,066**	**23,081**
General and administration	6	(5,464)	(4,222)
Stock-based compensation	12	(207)	(217)
Foreign currency exchange gain		159	347
Other gain / (loss)		(370)	822
Operating result		**29,184**	**19,811**
Net finance costs	5	(4,476)	(4,715)
Result before tax		**24,708**	**15,096**
Current tax expense	7	(2,636)	(710)
Deferred tax recovery		(2,418)	11,259
Net result for the year		**19,654**	**25,645**
Earnings per share basic	13	0.20	0.26
Earnings per share diluted	13	0.18	0.25
Weighted average number of shares:			
Before dilution		99,287,171	97,630,200
After dilution		107,943,095	102,199,428

Consolidated Statements of Comprehensive Earnings

For the Financial Year Ended 31 December

(TUSD)	Note	2019	2018
Net result for the year		**19,654**	**25,645**
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	2	(2,902)	(6,511)
Comprehensive result for the year		**16,752**	**19,134**
Attributable to:			
Shareholders of the Parent Company		**16,752**	**19,134**

Consolidated Statement of Financial Position

For the Financial Year Ended 31 December

(TUSD)	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	9	76,243	58,834
Exploration and evaluation assets	8	21,216	20,685
Deferred tax assets	7	7,955	11,259
Performance bonds and others		178	177
Total non-current assets		**105,592**	**90,955**
Current assets			
Crude oil inventory		414	57
Prepaid expenses and deposits		1,255	686
Accounts receivable	10	4,739	4,368
Restricted cash	25	1,567	2,804
Cash and cash equivalents	11	22,450	20,255
Total current assets		**30,425**	**28,170**
TOTAL ASSETS		**136,017**	**119,125**
EQUITY AND LIABILITIES			
Equity			
Share capital		122	120
Contributed surplus		64,840	63,009
Other reserves		(10,772)	(7,870)
Retained earnings		33,669	14,015
Total equity	12	**87,859**	**69,274**
Liabilities			
Non-current liabilities			
Bonds payable	14	30,621	31,180
Decommissioning provision	15	2,175	1,720
Lease liabilities	17	380	–
Other long-term liabilities and provisions	3, 16	7,812	8,093
Total non-current liabilities		**40,988**	**40,993**
Current liabilities			
Accounts payable	18	4,533	4,029
Accrued liabilities and other	18	2,406	4,829
Current portion of lease liabilities	17	231	–
Total current liabilities		**7,170**	**8,858**
Total liabilities		**48,158**	**49,851**
TOTAL EQUITY AND LIABILITIES		**136,017**	**119,125**

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December

(TUSD)	Note	2019	2018
Cash flow from operations			
Net result		19,654	25,645
Adjustments for:			
Depletion, depreciation and amortization	9	5,671	3,762
Stock based compensation	12	207	217
Accretion of decommissioning provision	15	116	102
Accretion of bonds payable	14	1,001	1,052
Interest expense	5	3,816	4,138
Current tax expense	7	2,636	710
Deferred tax expense	7	2,418	(11,259)
Financial derivative instruments loss	19	–	139
Unrealized foreign exchange amounts		(433)	1,797
Interest received		248	659
Interest paid		(3,772)	(4,043)
Income taxes paid		(2,022)	(447)
Changes in working capital	23	(716)	(4,130)
Cash flow from operations		**28,824**	**18,343**
Investing activities			
Capital expenditures – property, plant and equipment	9	(27,747)	(12,767)
Capital expenditures – exploration and evaluation assets	8	(587)	(2,774)
Restricted cash		1,124	(215)
Cash flow from investment activities		**(27,210)**	**(15,756)**
Financing activities			
Lease payments	17	(214)	–
Exercise of stock options and warrants, net of issuance costs	12	1,626	1,721
Cash flow from financing activities		**1,412**	**1,721**
Change in cash and cash equivalents		**3,026**	**4,308**
Cash and cash equivalents, beginning of year		20,255	18,729
Foreign exchange on cash and cash equivalents		(831)	(2,782)
Cash and cash equivalents at the end of the year		**22,450**	**20,255**

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December

(TUSD)	Share Capital	Contributed Surplus	Other Reserves	Retained (Deficit) Earnings	Total Shareholders' Equity
Balance at 1 January 2018	**117**	**61,073**	**(1,359)**	**(11,630)**	**48,201**
Comprehensive result					
Result for the year	–	–	–	25,645	25,645
Currency translation difference	–	–	(6,511)	–	(6,511)
Total comprehensive result	**–**	**–**	**(6,511)**	**25,645**	**19,134**
Transactions with owners					
Share issue cost	–	(64)	–	–	(64)
Stock based compensation	–	217	–	–	217
Exercise of warrants and options	3	1,783	–	–	1,786
Total transactions with owners	**3**	**1,936**	**–**	**–**	**1,939**
Balance at 31 December 2018	**120**	**63,009**	**(7,870)**	**14,015**	**69,274**
Comprehensive result					
Result for the year	–	–	–	19,654	19,654
Currency translation difference	–	–	(2,902)	–	(2,902)
Total comprehensive result	**–**	**–**	**(10,772)**	**33,669**	**86,026**
Transactions with owners					
Stock based compensation	–	207	–	–	207
Exercise of warrants and options (net of issuance costs)	2	1,624	–	–	1,626
Total transactions with owners	**2**	**1,831**	**–**	**–**	**1,833**
Balance at 31 December 2019	**122**	**64,840**	**(10,772)**	**33,669**	**87,859**

Parent Company Income Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2019	2018
Revenue		–	–
Expenses			
General and administrative	6	(6,022)	(3,655)
Stock-based compensation		–	(1,889)
Financial instruments		–	(618)
Foreign currency exchange gain		1,514	5,096
Operating result		**(4,508)**	**(1,066)**
Net finance costs	5	(21,358)	(9,022)
Impairment on investment in subsidiary	29	(18,683)	–
Group contribution		596	–
Result before tax		**(43,953)**	**(10,088)**
Income tax	7	–	–
Result for the year[1]		**(43,953)**	**(10,088)**

1 *A separate report over Other Comprehensive Income is not presented for the Parent Company as there are no items included in Other Comprehensive Income for the Parent Company.*

Parent Company Balance Sheets
For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2019	2018
Assets			
Non-current assets			
Investment in subsidiaries	29	192,468	184,219
Loans to subsidiaries	30	365,139	410,764
		557,607	**594,983**
Current assets			
Loans to subsidiaries – current	30	7,358	–
Accounts receivable and other	10	243	170
Restricted cash		50	50
Cash and cash equivalents		152,115	138,598
		159,766	**138,818**
Total Assets		**717,373**	**733,801**
Equity and Liabilities			
Restricted equity			
Share capital	12	1,113	1,091
Unrestricted equity			
Contributed surplus		504,682	487,374
Retained earnings		(79,092)	(35,139)
Total unrestricted equity		**425,590**	**452,235**
Total equity		**426,703**	**453,326**
Non-current liabilities			
Bonds Payable	14	286,037	276,573
Current liabilities			
Accounts payable and accrued liabilities	18	4,633	3,902
Total liabilities		**290,670**	**280,475**
Total Equity and Liabilities		**717,373**	**733,801**

Parent Company Statement of Changes in Equity

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Restricted equity	Unrestricted equity		
	Share capital	Contributed surplus	Retained Earnings	Total Equity
Balance at 1 January 2018	1,068	470,545	(25,051)	446,562
Stock based compensation	–	1,889	–	1,889
Exercise of warrants and stock options (net of issue cost)	23	15,511	–	15,534
Result for the year	–	–	(10,088)	(10,088)
Balance at 31 December 2018	**1,091**	**487,374**	**(35,139)**	**453,326**
Stock based compensation	–	1,955	–	1,955
Exercise of warrants and stock options (net of issue cost)	22	15,353	–	15,375
Result for the year	–	–	(43,953)	(43,953)
Balance at 31 December 2019	**1,113**	**504,682**	**(79,092)**	**426,703**

Parent Company Cash Flow Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2019	2018
Cash flow from operations			
Net result		(43,953)	(10,088)
Adjustment for			
Impairment on investment in subsidiary	29	18,683	–
Commodity hedges		–	618
Accretion of bonds liability	14	9,464	9,150
Stock based compensation		–	1,889
Interest expense	5	36,000	36,000
Interest income		(24,075)	–
Unrealized foreign exchange		(1,520)	(2,033)
Interest paid		(36,000)	(36,000)
Changes in working capital		658	(470)
Total cash flow from operations activities		**(40,744)**	**(934)**
Cash flow from investing			
Restricted cash		–	(50)
Investment in subsidiaries		(24,978)	(579)
Loan repayment by subsidiaries	30	127,879	105,777
Loans to subsidiaries	30	(63,951)	(87,018)
Total cash flow investing activities		**39,950**	**18,130**
Cash flow from financing			
Exercise of stock options and warrants, net of issue cost		15,376	14,964
		15,376	**14,964**
Change in cash during the year		**13,582**	**35,303**
Cash, beginning of the year		138,598	103,294
Foreign exchange on cash		(65)	3,143
Cash, end of the year		**152,115**	**138,598**

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018. (Tabular amounts are in US Dollars, except in the Parent Company Financial Statements where the amounts are in Swedish Krona (SEK), unless otherwise stated).

1. Corporate Information

Maha Energy AB ("Maha (Sweden)" or "the Company") Organization Number 559018-9543 and its subsidiaries (together "Maha" or "the 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 1140, 10201 Southport Road SW, Calgary, Alberta, Canada T2W 4X9. The Company also has an office in Rio de Janeiro, Brazil and operations office in Newcastle, Wyoming, USA.

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

2. Accounting Policies

Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed under the heading "Critical accounting estimates and judgements". The consolidated financial statements have been prepared under the historical cost convention, except for items that are required to be accounted for at fair value as detailed in the Group's accounting policies. Intercompany transactions and balances have been eliminated.

Changes in Accounting Policies and disclosures

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Adoption of IFRS 16, "Leases"

Effective January 1, 2019, the Company adopted IFRS 16, "*Leases*" ("IFRS 16"). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 "*Determining whether an Arrangement contains a Lease*" SIC-15 "*Operating Leases-Incentives*" and SIC-27 "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*". The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the Statement of Financial Position.

The Company has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Company's Consolidated Statements of Financial Position, Consolidated Statements of Operations and Consolidated Statements of Comprehensive Earnings and Consolidated Statements of Cash flows have not been restated.

On adoption, Management elected to use the following practical expedients permitted under the standard:

- Right of use (ROU) assets will be measured at an amount equal to the lease liability;
- Leases with a less than 12 months remaining lease term at year end 2018 will not be reflected as leases;
- Apply a single discount rate to a portfolio of leases with similar characteristics;
- The use of hindsight in determining the lease tern where the contract contains terms to extend or terminate the lease;
- The Company has made the following application policy choice: short-term leases (less than 12 months) and leases of low value assets will not be reflected in the balance sheet, but will be expensed as incurred.

Maha has assessed the impact of IFRS 16 on the consolidated financial statements of the Company and identified two contracts containing leases which have resulted in the recognition of additional lease liabilities and ROU assets of approximately TUSD 427 from 1 January 2019.

Accounting standards issued but not yet applied

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's Consolidated Financial Statements are listed below.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of the first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

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* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statement make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of Maha and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealized gains on transactions between Company companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Maha has joint operations in Brazil at Tartaruga field (see Note 4). Maha recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. The Company conducts oil- and gas operations as a joint operation that does not have a separate legal entity status through licenses which are held jointly with other companies. The Company's financial statements reflect the Company's share of production, capital costs, operational costs, current assets and liabilities in the joint operations.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Company elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquiree's identified net assts. Acquisition- related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with the changes in fair value recognized in the statement of operations in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Foreign currencies

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in US dollars (USD) which is the currency the Company has elected to use as the presentation currency. The functional currencies of the Company's subsidiaries are as follows:

Subsidiary	Functional Currency
Maha Energy Inc.	USD
Maha Energy (USA) Inc.	USD
Maha Energy Services LLC	USD
Maha Energy 1 (Brazil) AB	SEK
Maha Energy 2 (Brazil) AB	SEK
Maha Energy Brasil Ltda	BRL
Maha Energy Finance (Luxembourg) S.A.R.L	BRL

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at period end and foreign exchange currency differences are recognized in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in financial income/expenses in the Consolidated Statement of Operations.

Presentation currency
The Consolidated Statement of Financial Position and the Consolidated Statement of Operations of foreign Group companies are translated for consolidation purposes using the current rate method. All assets and liabilities of the subsidiary companies are translated at the period end rates of exchange, whereas the Statement of Operations are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in the foreign currency translation reserve within other comprehensive income. Upon disposal of a foreign operation, the translation differences relating to that operation will be transferred from equity to the Statement of Operations and included in the result on sale. Translation differences arising from net investments in subsidiaries, used for financing exploration activities, are recorded directly in other comprehensive income.

For the preparation of the financial statements for the reporting period, the following exchange rates have been used.

	December 31, 2019		December 31, 2018	
Currency	**Average**	**Period end**	**Average**	**Period end**
SEK / USD	9.4543	9.3413	8.6997	8.8701
BRL / USD	3.9451	4.0307	3.6517	3.8748

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

Current versus non-current classification
The Company presents assets and liabilities in the Consolidated Statements of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Expected to be realised within twelve months after the reporting period
- Or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is due to be settled within twelve months after the reporting period
- Or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Oil and gas properties
Oil and gas properties are initially recorded at historical cost, where it is probable that they will generate future economic benefits. All costs for acquiring concessions, licenses or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalized on a field area cost center basis. This includes capitalization of decommissioning and restoration costs associated with provisions for asset retirement (see Note 16). Oil and gas properties are subsequently carried at cost less accumulated depreciation, depletion and amortization (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognized in income. Routine maintenance and repair costs for producing assets are expensed to the Statement of Operations when they occur. Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are off set against the related capitalized costs of each cost center with any excess of net proceeds over all costs capitalized included in the income statement.

Depreciation, depletion and amortization ("DD&A")
Producing oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves of the field. In accordance with the unit of production method, net capitalized costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas. The impact of potential changes in estimated proved and probable reserves is dealt with prospectively by depleting the remaining carrying value of the asset over the expected future production. Depletion of a field area is charged to the Statement of Operations once commercial production commences, under depletion, depreciation and amortization.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorized as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

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

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

Impairment
Impairment tests are performed annually or when there are facts and circumstances that suggests that the carrying value of an asset capitalised costs with in each field area less any provision for site restoration costs, royalties and deferred production or revenue related taxes is higher than the anticipated future net cash flow from oil and gas reserves attributable to the Company's interest in the related field areas. Capitalised costs cannot be carried unless those costs can be supported by future cash flows from that asset. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are companied together into cash-generating units ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCOD"). In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from production of proved and probable reserves.

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

An impairment loss on PP&E and E&E assets are recognized in the Consolidated Statements of Operations as additional DD&A and exploration expense, respectively, if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

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

Other tangible assets
Other tangible assets that include office furniture, fixtures, leasehold improvements, machinery and vehicles are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight-line basis over the estimated economic life of the assets, which range from two to five years for office furniture, fixtures, vehicles and leasehold improvements. Materials and spare parts in the LAK field are assessed annually for the conditions and obsolescence and, if used, the related costs are transferred to the exploration costs of the property.

Additional costs to existing assets are included in the assets' net book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The net book value of any replaced parts is written off. Other additional expenses are deemed to be repair and maintenance costs and are charged to the Statement of Operations when they are incurred. The net book value is written down immediately to its recoverable amount when the net book value is higher. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Financial assets and liabilities
Financial assets and financial liabilities are recognized on the Consolidated Statements of Financial Position initially at fair value plus transaction costs on initial recognition and subsequently measured at amortised cost unless stated otherwise. Financial assets are derecognized when the rights to receive cash flows from the investment have expired, or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company recognises the following financial assets and liabilities:

Financial Assets at Amortized Cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company classifies its cash and cash equivalents and accounts receivables at amortized cost. The Company's intent is to hold the receivables until cash flows are collected.

Financial Assets through other comprehensive income ("FVOCI")
Financial assets measured at FVOCI includes assets that are held for contractual cash flows and selling the financial assets, where its contractual terms give rise on specific dates to cash flows that represent solely payments of principal and interest.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")
Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. The Company classifies its derivative financial instruments as FVTPL.

Financial Liabilities at Amortized Cost
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL
Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost.

Impairment of Financial Assets
The measurement of impairment of financial assets is based on the expected credit losses model ("ECL"). Accounts receivable are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the accounts receivable. ECL allowances have not been recognized for cash and cash equivalents due to the virtual certainty associated with their collection. The ECL pertaining to accounts receivable is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of all possible default events related to the financial asset (over the lifetime or within 12 months after the reporting period, as applicable) and are measured as the difference between the present value of the cash flows due to the Company and the cash flows the Company expects to receive, including cash flows expected from collateral and other credit enhancements that are a part of contractual terms.

Derivative Financial Instruments
Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction, hedges of the fair value of recognized assets and liabilities or a firm commitment, or hedges of a net investment in a foreign operation.

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

Inventories
Product inventories are valued at the lower of cost and net realizable value, cost being determined on a weighted average cost basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if circumstances which caused it no longer exist and the inventory is still on hand. Inventories of hydrocarbons are stated at the lower of cost and net realisable value.

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

Share-based compensation
The Company has granted options and warrants to purchase common stock to directors, officers, employees, and consultants under Maha (Canada)'s stock option plan and Warrants Incentive Program. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The amount recognized as a stock-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to this recorded cost is to contribute surplus.

The fair value of stock options and warrants is measured using the Black-Scholes option pricing model.

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

Earnings per share

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

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

Provisions

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

Borrowings

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

Leases

The following accounting policy is applicable from 1 January 2019:

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a ROU asset as part of the property, plant and equipment and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the consolidated statement of earnings if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of earnings on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net earnings that reflects the proportionate decrease in scope.

The impacts of adoption of IFRS 16 as at January 1, 2019 resulted in recognition of additional lease liability and ROU assets of TUSD 427.

Policy Applicable Before January 1, 2019

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. At inception, a leased asset within PP&E and a corresponding lease obligation are recognized. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Revenue

The Company's revenue relates to oil and natural gas sales in Brazil. The Company recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Company to its customer. The Company satisfies its performance obligations in contracts with customers upon the delivery of crude oil and natural gas, which is generally at a point in time and the amounts of revenue recognized relating to performance obligations satisfies over time are not significant. Revenue is recognized based on the consideration specified in contracts with customers. Revenue represents the Company's share and is recorded net of other mineral interest owners. The Company evaluates its arrangement with third parties and partners to determine if the Company acts as a principal or an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in transaction, then the revenue is recognized on a net-basis, only reflecting the fee or commission realized by the Company from the transaction.

Maha's revenue transactions do not contain any financing components and payments are typically due within 30 days of revenue recognition. The Company does not disclose information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations.

Proceeds from sale of crude oil and natural gas prior to the commencement of commercial production are offset against capitalized costs for Company operations that are at the pre-production stage (Note 8). The disclosure of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2 section Critical accounting estimates and judgements.

Royalties

The fiscal regime in the area of operations defines whether royalties are payable in cash or in kind. Royalties payable in cash are accrued in the accounting period in which the liability arises. The Company pays cash royalties to respective government agencies and to private land owners as a percentage of the revenue that is generated through the sale of oil and gas production.

Income taxes

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

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

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

Parent Company's accounting policies

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS.

The Parent Company's accounting policies do not in any material respect deviate from the Group policies and have been consistently applied in all periods presented in the financial statements of the Parent Company. The differences between the accounting policies of the Group and the Parent Company are stated below.

The parent company applies to the exception rule in RFR2, which means that the legal entity does not have to apply IFRS 16.

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

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

Group contributions
The parent company uses the alternative method in accounting for group contributions and records paid as well as received contributions as appropriations in the income statement.

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

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

Impairment losses
An estimate is made of anticipated credit losses on financial assets and a reserve is reported as a deduction against the asset. For receivables except for cash and cash equivalents, the simplified model is applied, which means that the loss reserve shall always be valued at an amount corresponding to the remaining maturity. The valuation of anticipated credit losses should reflect an objective and probability-weighted amount, the time value of money, reasonable and verifiable data on past events, current conditions and forecasts for future economic conditions. Historical data in the form of experience from past credit losses and current and prospective factors are used as a basis for forecasting anticipated credit losses. Maha defines default as receivables that are overdue by more than 90 days and in those cases, an individual assessment and reservation are made. For cash and cash equivalents, the reserve is based on the banks' probability of default and prospective factors. The new impairment rules do not affect Maha's credit losses to any material extent.

Estimates in oil and gas reserves
Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion, decommissioning provisions and business acquisitions. Standard recognized evaluation techniques are used to estimate the proved and probable reserves. Estimates of the proved and probable reserves require the application of judgement and are subject to annual revisions based on new information such as changes in economic factors, including product prices, contract lease terms or development plans.

These techniques take into account the future level of development required to produce the reserves. An independent reserves auditor reviews these estimates. Changes in estimates of oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method. Changes in estimates in oil and gas reserves could for example result from additional drilling, observation of long-term reservoir performance or changes in economic factors such as oil price and inflation rates. Information about the carrying amounts of the oil and gas properties and the amounts charged to income, including depletion, exploration costs, and impairment costs is presented in Note 9.

The Tartargua concession agreement expires in 2025 but provides mechanisms for extension based on the continued productivity of the field. In estimating the oil and gas reserves of the Tartaruga Block the Company used judgement in determining that such extension should be approved. The reserves as well as current and expected volumes assume that the extension will be granted. The net carrying amounts of the Tartaruga oil and gas assets are USD 28.0 million as of 31 December 2019.

Impairment of oil and gas properties
For purposes of impairment testing, PPE are aggregated into CGUs, based on separately identifiable and largely independent cash inflows. The determination of the Company's CGUs is subject to judgment. Key assumptions in the impairment models relates to prices and costs that are based on forward curves and the long-term corporate assumptions. The recoverable amount of the Company's CGUs is determined using estimate of the future cash flows based on future oil and gas prices and expected production volumes. These calculations require the use of estimates and assumptions, including the discount rate. It is possible that the commodity price assumptions may change, which may impact the estimated life of the field and economical reserves recoverable and may require an adjustment to the carrying value of developed and producing assets. The Company monitors internal and external indicators of impairment relating to its assets and records adjustments, if necessary, at each reporting period date.

Decommissioning provisions

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

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

Expenditures on exploration and evaluation assets

The application of the Company's accounting policy for expenditures on exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when exploration and evaluation assets are reclassified to Producing properties. In making this determination, various factors are considered, including the existence of reserves, and whether the appropriate approvals have been received from regulatory bodies and the Company's internal approval process. The Company's LAK properties are still considered exploration and evaluation properties as the Company continues to monitor and study the impact of the hot water flood of the field. The Company intends to deploy future capital to continue to develop this field. This assessment requires Management judgement, as these assets are subject to ongoing internal reviews in order to establish the technical feasibility and commercial viability of a project.

Deferred income tax assets

The Company accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12, Income Taxes, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. Management estimates future taxable profits based on the financial models used to value its oil and gas properties. Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized. The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Company uses its best estimates and judgement, actual results could differ from these estimates.

Contingencies

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

Determining the lease term contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it reasonably certain to be exercised or any periods covered by an option to terminate the lease, if it reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

3. Segment Information

The Company operates within several geographical areas with a focus on Brazil. Operating segments are based on a geographic perspective and reported in a manner consistent with the internal reporting provided to the executive management. The Parent Company is included in Sweden and holds the Bond liability. The Company has combined geographic areas of Canada and USA as the North America segment as Canada on its own does not meet the quantitative thresholds to be a reportable segment as well as North America as a combined segment is consistent with the internal reporting manner.

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

(TUSD)	North America[1]	Brazil	Sweden	Other[2]	Consolidated
31 December 2019					
Revenue	–	55,589	–	–	55,589
Royalties	–	(7,449)	–	–	(7,449)
Production and operating	–	(6,601)	–	–	(6,601)
General and administration	(2,906)	(1,912)	(646)	–	(5,464)
Exploration and business development cost	(331)	(471)	–	–	(802)
Stock-based compensation	(207)	–	–	–	(207)
Depletion, depreciation and amortization	(101)	(5,570)	–	–	(5,671)
Foreign currency exchange loss (gain)	230	163	(7)	(227)	159
Operating results	**(3,315)**	**33,749**	**(653)**	**(227)**	**29,554**
Net finance costs	(16)	(2,197)	(2,259)	(4)	(4,476)
Other loss	(238)	(132)	–	–	(370)
Income tax	–	(3,196)	(2)	(1,856)	(5,054)
Net results	**(3,569)**	**28,224**	**(2,914)**	**(2,087)**	**19,654**

(TUSD)	North America[1]	Brazil	Sweden	Other[2]	Total
31 December 2018					
Revenue	–	38,132	–	–	38,132
Royalties	–	(4,805)	–	–	(4,805)
Production and operating	–	(6,410)	–	–	(6,410)
General and administration	(2,307)	(1,495)	(420)	–	(4,222)
Stock-based compensation	–	–	(217)	–	(217)
Depletion, depreciation and amortization	(57)	(3,705)	–	–	(3,762)
Financial derivative instruments	–	–	(74)	–	(74)
Foreign currency exchange (loss) or gain	(43)	29	361	–	347
Operating results	**(2,407)**	**21,746**	**(350)**	**–**	**18,989**
Net finance costs	(13)	(3,664)	(1,037)	–	(4,715)
Other gain or loss	–	822	–	–	822
Income tax	–	11,893	–	(1,344)	10,549
Net results	**(2,420)**	**30,797**	**(1,387)**	**(1,344)**	**25,645**

(TUSD)	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
Brazil	93,915	81,732	43,345	50,465
Sweden	54,664	50,349	30,952	31,620
North America	30,551	25,288	16,974	11,013
Intercompany balance elimination	(43,113)	(43,247)	(43,113)	(43,247)
Total Assets/Liabilities	**136,017**	**119,125**	**48,158**	**49,851**
Shareholder's equity	–	–	87,859	69,274
Total equity	**–**	**–**	**87,859**	**69,274**
Total consolidated	**136,017**	**119,125**	**136,017**	**119,125**

For detailed information for the oil and gas properties by country, see also Note 8 and Note 9.

1 *North America segment is made up of Canada and USA.*

2 *Other represents intercompany eliminations and consolidation adjustments.*

All oil and gas revenue, operating expenses and depletion are from the Brazilian operations. The Company had two large customers in 2019 (2018: two) that individually accounted for more than 10 percent of the Company's consolidated gross sales. Total sales to these customers were approximately USD 54.4 million (2018: USD 36.5 million), which are included in the Company's Brazil operating segment. Approximately, 56 percent of the total revenue is contracted with one customer in the Brazil segment. There were no intercompany sales or purchases in the year or in the previous year.

Joint operations

The Company, jointly with one other participant, owns the Tartaruga block oil and gas production assets in Brazil. The Company's share is 75% in the joint operations. The Company is entitled to a proportionate share of the oil and gas revenue and bears a proportionate share of the expenses. This joint operations results have been included in the Brazil segment.

4. Revenue

The Company's oil and gas sales revenues are predominantly derived from two major customers, under contracts based on floating prices utilizing the Brent oil benchmark adjusted for contracted discounts or premiums. For the year ended December 31, 2019, 100% (December 31, 2018: 100%) of the Company's revenue resulted from oil and gas sales in Brazil.

Disaggregated revenue information

The Company derives revenue from the transfer of goods at a point in time in the following major commodities from oil and gas production and the only geographical region of Brazil:

(TUSD)	2019	2018
Crude oil	54,930	37,785
Natural gas	604	347
Other	55	–
Total revenue from contracts with customers	**55,589**	**38,132**

The Company had no contract asset or liability balances during the period presented. As at 31 December 2019, accounts receivable included USD 3.4 million of sales revenue which related to December 2019 production. 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 to the delivery point agreed with the customer and the customer obtains legal title.

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. Net Finance Costs

	Group (TUSD)		**Parent** (TSEK)	
	2019	**2018**	**2019**	**2018**
Interest on bonds payable	3,808	4,138	36,000	36,000
Accretion of bonds payable (Note 15)	1,001	1,052	9,463	9,150
Accretion of decommissioning provision	116	102	–	–
Risk management contracts	–	66	–	–
Interest income and other	(449)	(643)	(24,105)	(36,128)
	4,476	**4,715**	**21,358**	**9,022**

6. General and Administrative Expenses

	Group (TUSD)		Parent (TSEK)	
	2019	2018	2019	2018
Personnel costs	4,217	4,789	2,126	1,797
Rent & office costs	741	726	119	80
Insurance	66	70	–	–
Listing costs	314	55	592	481
Costs of external services	832	570	2,555	903
Software & Information technology	277	347	104	31
Travel related costs	570	368	24	–
Non recoverable taxes & other costs	365	54	502	363
Allocated to Capital and Operating expenses	(1,918)	(2,757)	–	–
Total	**5,464**	**4,222**	**6,022**	**3,655**

Costs allocated to capital and operating expenses represents general and administrative charges directly attributable to property, plant and equipment activities and operating activities of the Company.

7. Income Taxes

	Group (TUSD)		Parent (TSEK)	
	2019	2018	2019	2018
Current	2,636	710	–	–
Deferred	2,418	(11,259)	–	–
Total	**5,054**	**(10,549)**	**–**	**–**

Current taxes are in respect of the Company's operations in Brazil. The statutory income tax rate in Brazil is 34%; however, following application of tax incentives available to the Company in Brazil, the resulting tax rate was 15.25% for 2019 and 2018. The tax incentives begin to expire in 2024 for the Tie field and 2029 for the Tartaruga Block but are renewable in the ordinary course of business.

The tax on the Company's profit before tax different from the theoretical amount that would arise using the tax rate of Sweden as follows:

	Group (TUSD)		Parent (TSEK)	
	2019	2018	2019	2018
Result before tax	24,708	15,096	(43,953)	(10,088)
Applicable tax rate	21.4%	22%	21.4%	22%
Expected tax expense (recovery)	5,288	3,321	(9,406)	(2,219)
Effect of different tax rates	(1,927)	(1,772)	–	–
Non-deductible items	646	650	3,998	1,539
Recognition of year end deferred tax assets	–	(11,259)	–	–
Changes in unrecognized deferred tax assets and other	1,047	(1,489)	5,408	680
Income tax expense (recovery)	**5,054**	**(10,549)**	**–**	**–**
Current	2,636	710	–	–
Deferred	2,418	(11,259)	–	–
Total	**5,054**	**(10,549)**	**–**	**–**

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

Specification of deferred tax assets:

(TUSD)	2019	2018
Unused tax loss carry forwards	6,105	7,731
Other deductible temporary differences	1,850	3,528
Deferred tax assets	**7,955**	**11,259**

In 2018 Maha utilized previously unrecognized tax losses of TUSD 3,329 and temporary differences of 5,583 to reduce current income tax expense.

In addition, during 2018 the Company determined there was reasonable certainty it would be able to recover unrecognized tax assets associated with the Tie Field and recorded a deferred tax recovery of TUSD 11,259. A deferred tax asset was recognized in respect of tax deductible temporary differences and estimated tax loss carry-forwards of BRL 196 million. At year end 2019, the Company assessed the deferred tax asset value recorded and the estimate of future taxable income to permit use of the existing deferred tax assets. It was determined that the Company will be able to utilize the existing deferred tax assets, however, certain additional deferred tax assets in Brazil has not been recognized due to the uncertainty of the timing and extent of the utilization of the tax losses.

At 31 December 2019, Maha had other temporary differences of TUSD 36,636 (2018: TUSD 32,851) for which no deferred tax asset was recognized. Further, Maha had unused tax losses of TUSD 81,919 available for offset against future profits (2018: TUSD 97,394) of which only some of the tax losses in Brazil have been recognized as deferred tax assets

A summary of Maha's estimated tax losses by country is as follows:

(TUSD)	Loss Carry Forward 2019	Expiry
Sweden	8,504	Indefinite
Brazil	40,031	Indefinite
Canada	3,018	Beginning in 2033
United States	13,458	Beginning in 2033
Luxembourg	16,908	Beginning in 2034
Total	**81,919**	

The tax losses in Brazil and Luxembourg primarily relate to corporate acquisitions in 2017. Loss carry forwards in Brazil are limited to a maximum of 30% of taxable income in the year that they are applied. Maha has recognized deferred tax assets on tax losses in Brazil to the extent they are more likely than not to be realized. Out of the total estimated tax losses and other temporary differences in Brazil of TUSD 52,041, Maha has recognized TUSD 23,398 of such tax losses and other temporary differences as a deferred tax asset at an amount of TUSD 7,955 at 31 December 2019 (2018: TUSD 11,259). Maha has not recognized any deferred tax assets on tax losses or other temporary deductible differences in any other jurisdiction within the Group.

8. Exploration and Evaluation Assets

(TUSD)	
1 January 2018	**17,789**
Additions in the period	3,154
Change in decommissioning costs	121
Incidental result from sale of crude oil	(379)
31 December 2018	**20,685**
Additions in the period	165
Change in decommissioning costs	(56)
Operating costs capitalized (net of Incidental revenue from sale of crude oil)	422
31 December 2019	**21,216**

All exploration costs relate to non-producing oil and gas properties in the LAK Ranch block and by nature are intangible costs. No depletion was charged to these E&E assets. As at 31 December 2019, the LAK Ranch Project had not established both technical feasibility and commercial viability and therefore remains classified as an E&E asset. The Company continues to evaluate the results of the phase 3 development of the field and have plans to continue to assess the field for future capital investment. Expenditures, net of revenues, for the LAK Ranch Project have been capitalized as E&E.

Maha reviews the indicators of impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the Statement of Operations. As at 31 December 2019, the Company identified no impairment indicators and the recoverable value of the assets exceeded the carrying value of the assets therefore no impairment test was recorded.

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

(TUSD)	Oil and gas properties	Other tangible assets	Right-of-use assets	Total
Cost				
1 January 2018	**54,284**	**2,151**	**–**	**56,435**
Additions	16,732	18	–	16,750
Currency translation adjustment	(8,891)	(108)	–	(8,999)
1 January 2019	**62,125**	**2,061**	**–**	**64,186**
Book value recognized at 1 January 2019 following IFRS 16 adoption	–	–	427	427
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**
Accumulated depletion, depreciation and amortization				
1 January 2018	**(1,807)**	**(302)**	**–**	**(2,109)**
DD&A	(3,583)	(146)	–	(3,729)
Currency translation adjustment	471	15	–	486
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)**
Carrying amount				
31 December 2018	57,206	1,628	–	58,834
31 December 2019	**74,166**	**1,466**	**611**	**76,243**

(TUSD)	North America	Brazil	Sweden	Other[1]	Consolidated
Oil and gas properties	–	74,166	–	–	74,166
Other tangible assets	1,240	226	–	–	1,466
Right-of-use assets	–	611	–	–	611
31 December 2019	**1,240**	**75,003**	**–**	**–**	**76,243**
Oil and gas properties	–	57,206	–	–	57,206
Other tangible assets	1,341	287	–	–	1,628
31 December 2018	**1,341**	**57,493**	**–**	**–**	**58,834**

The oil and gas properties relate to the producing oil and gas cost pools in the Brazil segment. Depletion and depreciation amounted to TUSD 5,671 (2018: TUSD 3,762) for the year ended 31 December 2019 and is included with the DD&A costs line in the Consolidated Statement of Operations.

At 31 December 2019, the Company assessed its property, plant and equipment for indicators of potential impairment. As a result of this assessment, the Company concluded that no impairment indicators existed. Subsequent to 31 December 2019, oil prices declined significantly and while it is not possible to reliably estimate the length of this price decline, if oil prices were to remain at these levels, impairment indicators for the Company's oil and gas properties could exist in subsequent quarters. If an impairment indicator is concluded to exist, an impairment test will be performed. See also Note 33 for the subsequent events.

In the previous year, the Company only recognized lease assets in relation to leases that were classified as finance leases under IAS 17 Leases. The change in accounting policy affected the right-of-use assets with an increase amounting to TUSD 427 and a corresponding increase in the lease liabilities for the same amount (See Note 17). There was no impact on the retained earnings on 1 January 2019 (See Note 2).

1 *Other represents intercompany eliminations and consolidation adjustments.*

10. Accounts Receivables

	2019		2018	
	Group (TUSD)	**Parent** (TSEK)	**Group** (TUSD)	**Parent** (TSEK)
Oil and gas sales (Brazil)	4,394	–	3,127	–
Sale of Canadian assets	–	–	280	–
Tax credits and other receivables	345	243	961	170
	4,739	**243**	**4,368**	**170**

The majority of the Company's oil and gas sales receivables are with the Brazilian national oil company and an independent refinery called Dax Oil Refino SA (Dax). Under the marketing agreement with Dax, 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 to accumulate an amount up to maximum of TUSD 900 in accounts receivable which is guaranteed through a performance bond issued by a local bonding company and is expected to be fully recoverable. As at 31 December 2019, the Company determined that the average expected credit loss on the Company's accounts receivable was nil (2018: nil) as the Company has no history of collection issues with Dax or the Brazilian national oil company.

During the year, the Company impaired the full value of its receivable from the sale of Canadian assets and recorded other loss of TUSD 239.

11. Cash and Cash Equivalents

(TUSD)	2019	2018
Cash	21,495	16,587
Short term investment	955	3,668
	22,450	**20,255**

12. Share Capital

	Number of Shares by Class			
Shares outstanding	A	B	C2	Total
1 January 2018	**85,972,025**	**9,183,621**	**1,698,000**	**96,853,646**
Exercise of warrants	2,074,717	–	–	2,074,717
Conversion of convertible B shares	1,073,739	(1,073,739)	–	–
Exercise of Maha (Canada) options	1,138,687	–	(1,138,687)	–
Cancelled options	–	–	(509,313)	(509,313)
31 December 2018	**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**

During 2019, a total of 1,997,818 of warrants were exercised at a strike price of SEK 7.45 representing approximately 15% of total warrants outstanding. Accordingly, the same number of new shares of class A were issued. The total proceeds from this transaction were SEK 14.9 million (approximately TUSD 1.6 million) before issuance costs. The issuance costs of TSEK 116 (TUSD 12) were incurred to mainly register and list the shares.

In addition, during 2019 remainder of 50,000 C2 options were exercised for which same number of Class A shares were registered and issued. In addition, 149,564 Class B shares were converted to Class A shares. The Company has detailed the conversion of class B shares to Class A shares in its previously published prospectus and is available on the Company's website.

Maha AB share purchase warrants outstanding

The following warrants are outstanding at 31 December 2019:

	Number of Warrants #	Exercise Price SEK	Exercise Price USD
1 January 2018	**19,550,963**	**7.12**	**0.87**
Exercised	2,074,717	6.40	0.72
Expired	(4,126,246)	6.40	0.72
31 December 2018	**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**

Maha Energy Inc. stock options

Maha (Canada) has a stock option plan which allows for the grant of stock options, at exercise prices equal to or close to market price, in a total amount of up to 10% of the number of common shares issued. All of the options have a four to five-year term.

The following stock options are outstanding at 31 December 2019:

	Number of Warrants #	Exercise Price USD
1 January 2018	**1,698,000**	**0.71**
Exercised	(1,138,687)	0.50
Cancelled	(509,313)	0.50
31 December 2018	**50,000**	**1.25**
Exercised	(50,000)	1.25
31 December 2019	**–**	**–**

The cost for the stock options is included as part of stock-based compensation expense.

Warrant Incentive Program

The Company has an incentive program as part of the remuneration package for management and employees. 2019 incentive warrants were issued during the second quarter 2019. Issued but not allocated warrants are held by the Company. No incentive warrants were expired or exercised during 2019.

Warrants incentive programme	Exercise period	Exercise price, SEK	Number of Warrants 1 Jan 2019	Issued 2019	Expired 2019	Exercised 2019	Cancelled 2019	31 Dec 2019
2017 incentive programme	1 June 2020 – 31 December 2020	7.00	750,000	–	–	–	–	750,000
2018 incentive programme	1 May 2021 – 30 November 2021	9.20	750,000	–	–	–	–	750,000
2019 incentive programme	1 June 2022 – 28 February 2023	28.10	–	500,000	–	–	–	500,000
Total			**1,500,000**	**500,000**	**–**	**–**	**–**	**2,000,000**

Each warrant shall entitle the warrant holder to subscribe for one new Share in the Company at the subscription price per share. The fair value of the warrants granted under the warrant incentive program has been estimated on the grant date using the Black & Scholes model.

Weighted average assumptions and resultant fair values are as follows:

	2019 Incentive Programme	2018 Incentive programme
Risk free interest rate (%)	(0.33)	(0.17)
Expected term (years)	3.75	3.58
Expected volatility (%)	53	47
Forfeiture rate (%)	5.0	5.0
Weighted average fair value (SEK)	8.77	2.88

Total share-based compensation expense for 2019 was TUSD 207 (2018: TUSD 217). Share-based compensation expenses are as from 2019 reported in the respective legal entity where the employee is hired; hence, the parent company expenses were TSEK 0 in 2019 (2018: TSEK 1,889).

13. Earnings Per Share

Basic earnings per share are based on net result attributable to the common shareholders and is calculated based upon the weighted-average number of common shares outstanding during the periods presented.

	2019	2018
Net result attributable to shareholders of the Parent Company (TUSD)	19,654	25,645
Weighted average number of shares for the year	99,287,171	97,630,200
Earnings per share, USD	**0.20**	**0.26**
Weighted average diluted number of shares for the year	107,943,095	102,199,428
Earnings per share fully diluted, USD	**0.18**	**0.25**

14. Bond Payable

	TUSD	TSEK
1 January 2018	**32,678**	**267,423**
Accretion of bond liability	1,052	9,150
Effect of currency translation	(2,550)	–
31 December 2018	**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**

On May 29, 2017 the Company issued 3,000 senior secured bonds (the "Bonds"), with a par value of SEK 100,000 per bond and 13,350 warrants to acquire Class A shares of Maha. The Bonds bear interest at a rate of 12% per annum (SEK 36 million) calculated using a 360-day year, are payable semi-annually and mature on May 29, 2021. The Company may redeem all of the Bonds prior to maturity or repurchase any Bonds.

Each warrant is exercisable into one Class A share of Maha at a price of SEK 7.45 per Warrant and expires on the maturity date of the Bonds (see Note 12).

For 2019 Maha recognized TUSD 3,808 (2018: TUSD 4,138) of interest and TUSD 1,001 (2018: TUSD 1,052) of accretion related to the Bonds.

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 exceed USD 5 million

See Alternative performance measures for the reconciliation of above ratios.

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

As at 31 December 2019 the Company was compliant with all terms of the Bonds.

15. Decommissioning Provision

The decommissioning provision represents the present value of the expected future costs associated with the Company's costs to abandon and reclaim its oil and gas wells and facilities.

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

(TUSD)	
1 January 2018	**1,849**
Accretion expense	102
Additions	121
Foreign exchange movement	(352)
31 December 2018	**1,720**
Accretion expense	116
Additions	185
Change in estimate	194
Foreign exchange movement	(40)
31 December 2019	**2,175**

The total undiscounted amount of estimated future cash flows required to settle the obligations at 31 December 2019 was approximately TUSD 3,270 (2018: TUSD 3,022). In calculating the present value of the decommissioning provision for the Brazil assets, an inflation rate of 4.3 percent (2018: 4.0 percent) and a discount rate of 7.9 percent (2018: 9.0 percent) was used, which represents an estimated rate for Brazil's long term government treasury bonds for a period of over 20 years, the approximate weighted-average remaining years to abandonment. In calculating the present value of the decommissioning provision for the LAK assets, an inflation rate of 2.1 percent (2018: 2.4 percent) and a discount rate of 2.4 percent (2018: 2.6 percent) was used, which represents a long-term risk-free interest rate projection in the United States of America.

Based on the estimates used in calculating the decommissioning provision as at 31 December 2019, approximately 100 percent of the total amount of this provision is expected to be settled between 15 years and 20 years.

16. Other long-term Liabilities and Provisions

(TUSD)	2019	2018
Labour and contractors claims provision	1,884	3,048
Minimum work commitments provision	5,928	5,045
	7,812	**8,093**

Following the Brazil Acquisitions, the Company inherited a number of disclosed pre-existing legal matters concerning labour and contractors. Provisions for these legal matters represents the Company's best estimate at yearend. During the year, Maha revised its provision for the minimum work commitment based on the estimated future cashflows required to settle this obligation. As at 31 December 2019, the undiscounted amount of the minimum work commitments is USD 6.5 million which has been discounted using a credit-adjusted risk-free rate of 6.8%. Maha expects to settle this liability sometime in 2021. See Note 25 for further information on minimum work commitments.

17. 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**
Less current portion	231
Lease liability – non current	380

18. Accounts Payable and Accrued Liabilities

	Group (TUSD)		**Parent** (TSEK)	
	2019	**2018**	**2019**	**2018**
Trade payable	2,967	3,017	66	58
Accrued liabilities	2,406	4,829	1,267	544
Interest payable	353	372	3,300	3,300
Taxes payable (see Note 7)	1,213	640	–	–
	6,939	**8,858**	**4,633**	**3,902**

19. Financial Assets and Liabilities

The Company's financial assets and financial liabilities consist of cash and cash equivalents, restricted cash, accounts receivable, performance bonds, finance leases, accounts payable and accrued liabilities, lease liabilities, long-term liabilities and Bond Payable.

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.

Fair value of financial assets and liabilities

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, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments.

The fair value of finance leases approximates their carrying amount due to the specific non-tradeable nature of these instrument. The Bonds payable is 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 31 December 2019, the carrying value of the Bonds was TUSD 30,621 and the fair value was TUSD 34,519 (31 December 2018: carrying value – TUSD 31,180; fair value – TUSD 35,850).

Long-term liabilities are carried at fair value on the Consolidated Statement of Financial Position. Fair value is estimated by calculating the present value of the future expected cash flows using an inflation rate of 4.3% and discounted based on credit adjusted risk free rate of 6.8% (Level 3). As at 31 December 2019, fair value of the long-term liabilities was TUSD 5,928 (2018: TUSD 4,707).

20. Changes in Liabilities with Cash Flow Movements from Financing Activities

The changes in liabilities whose cash flow movements are disclosed as part of financing activities in the cash flow statements are as follows:

			Non-cash changes			
	At 1 January 2019	Cash Flows	Lease adds under IFRS 16	Amortization of deferred financing fees	Foreign exchange movement	At 31 December 2019
Lease Liability	–	(214)	793	–	32	611
Bonds Payable	31,180	–	–	1,001	(1,560)	30,621

	At 1 January 2018	Cash Flows	Amortization of deferred financing fees	Foreign exchange movement	At 31 December 2018
Bonds Payable	32,678	–	1,052	(2,550)	31,180

21. 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. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management.

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

a) Currency risk

Maha is a Swedish company which is operating globally and therefore attracts substantial foreign exchange exposure, both on transactions as well as on the translation from functional currency for entities to the Company's presentation currency of the US Dollar. The main functional currencies of the Company's subsidiaries are Brazilian Reals (BRL) for subsidiaries in Brazil and Luxembourg and Swedish Krona (SEK) for the parent and subsidiaries in Sweden, making the Company sensitive to fluctuations of these currencies against US Dollar.

All of the Company's oil sales are denominated in BRL based on a USD oil price and all operational, administrative and capital activities related to the Brazil properties are transacted primarily in BRL. In Sweden the Company's expenditures and the Bonds payable are in SEK. To minimize foreign currency risk, the Company's cash balances are held primarily in SEK and USD within Sweden, in BRL within Brazil and USD within Canada. In Canada, USD funds are converted to CAD on an as-needed basis. Management funds Brazil projects with the cash generated in Brazil to minimize the foreign currency risk.

The following table summarizes the effect that a change in these currencies against the US Dollar would have on operating profit through the conversion of the income statement of the Company's subsidiaries from functional currency to the presentation US Dollar for the year-ended 31 December 2019.

	Average rate 2019	10% USD weakening	10% USD strengthening
Net result in the financial statements, TUSD		19,654	19,654
SEK/USD	9.4543	8.5089	10.340
Total effect on net result, TUSD		**(607)**	**497**
BRL/USD	3.9450	4.3395	3.5505
Total effect on net result, TUSD		**(3,414)**	**2,592**

The net foreign currency exchange gain for the year amounted to TUSD 159 (2018: TUSD 347). 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. Foreign exchange exposures related to the transactions denominated in foreign currencies are minimal both in Brazil and Sweden as the majority of the transactions are in the local functional currencies.

b) 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 licence 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 31 December 2019, TUSD 963 from Dax Oil were included in accounts receivables.

As at 31 December 2019, the Company's trade receivables amounted to TUSD 4,394 (2018: TUSD 3,127). There is no recent history of default and there are no expected losses. Other short-term receivables are considered recoverable as they are mainly related to taxes and employee advances. The Company created a bad debt provision for the receivable related to the sale of Canadian assets due to Petrocapita's distressed financial circumstances. The Company's cash and cash equivalents are primarily held at large Canadian, Brazilian and Swedish financial institutions.

c) Liquidity risk

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

The Company has current assets of USD 30.4 million and positive cashflow which is considered sufficient to settle the current liabilities of USD 7.2 million. The Bonds are not due until May 29, 2021 and there is some risk at the time the Company either has insufficient funds to settle the principal amount of the Bonds or insufficient cashflow to successfully refinance/rollover the Bonds for an additional term.

The maturity dates for the Company's undiscounted cash outflows related to financial liabilities are as follows:

	Total	< 1 Year	1–2 years	2–5 Years
2019				
Accounts payable and accrued liabilities	6,939	6,939	–	–
Lease liabilities	611	231	190	190
Other Long-term liabilities	7,812	–	5,928	1,884
Bonds payable	30,621	–	30,621	–
	45,983	**7,170**	**36,739**	**2,074**
2018				
Accounts payable and accrued liabilities	8,858	8,858	–	–
Other Long-term liabilities	8,093	–	–	–
Bonds payable	31,180	–	31,180	–
	48,131	**8,858**	**31,180**	**–**

d) Interest Rate Risk

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

e) Price risk

The Company is subject to price risk associated with fluctuation in the market prices for oil and gas. Prices of oil and gas are impacted by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty which are generally beyond the Company's control. Factors that influence these include operational decisions, natural disasters, economic conditions, political instability or conflicts and actions by major oil exporting countries.

Changes in crude oil prices may significantly affect the Company's results of operations, cash generated from operating activities, capital spending and the Company's ability to meet its obligations. The majority of the Company's production is sold under short-term contracts; consequently, the Company is at risk to near term price movements. The Company manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program. For 2019, natural gas production represented less than 10% of the Company's total production and, as a result, any fluctuation in natural gas prices would have a nominal effect on current revenues.

From time to time, the Company enters into certain risk management contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These risk management contracts are not used for trading or speculative purposes. All risk management contracts are recorded at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statement of operations. Maha entered into no risk management contracts during the year 2019.

Risk management amounts recognized were as follows:

	2019	2018
Loss on crude oil contracts	–	74

The table below summaries the effect that a change in the realized oil prices would have had on the net result and equity at 31 December 2019:

Net result of the year, TUSD	19,654	19,654
Possible shift	-10%	+10%
Total effect on net result, TUSD	**(4,755)**	**4,755**

22. Management of Capital

The Company manages its capital to support the Company's strategic growth objectives and maintain financial capacity and flexibility for the purpose of funding the Company's exploration and development activities. At 31 December 2019, the Company's net working capital surplus was USD 23.3 million (2018: USD 19.3 million), which includes USD 22.5 million (2018: USD 20.3 million) of cash and USD 1.6 million (2018: USD 2.8 million) of restricted cash. The restricted cash mainly relates to cash posted in Brazil to guarantee letters of credit for certain work commitments. The Company does not have any other restricted cash balances as at 31 December 2019.

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. Management continuously monitors and manages its capital, liquidity and net debt position in order to assess the requirements for changes to the capital structure to meet the objectives and to maintain flexibility.

The Company considers its capital structure at this time to include shareholders' equity of USD 87.9 million (2018: USD 69.3 million). The Company does not have any externally imposed material capital requirements to which it is subject except for the Bonds covenants. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

23. Changes in Non-cash Working Capital

(TUSD)	2019	2018
Change in:		
Accounts receivable	(619)	(2,797)
Crude oil inventory	(340)	232
Prepaid expenses and deposits	(569)	67
Accounts payable and accrued liabilities	812	(1,632)
	(716)	**(4,130)**

24. Pledged Assets

As at 31 December 2019, 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 31 December 2019 amounted to SEK 186.2 million (31 December 2018: SEK 184.2 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 83.6 million (31 December 2018: USD 69.3 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 25).

25. Commitments and Contingencies

The Company currently has 7 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 19.0 million (USD 4.7 million) and the remainder BRL 9.0 million (USD 2.2 million) are guaranteed by a term deposit of USD 1.6 million (2018: USD 2.7 million). This term deposit has been presented as restricted cash on the Statement of Financial Position. During the fourth quarter of 2019, approximately USD 1.3 million of this term deposit was released from restricted cash.

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.

Maha Energy Brasil Ltda is a party to a tax reassessment concerning withholding income taxes on interest paid to its quota holder while under the previous ownership. Management, based on the opinion of its tax counsel, believes that the likelihood of a favourable outcome is more likely than not. Based on this analysis, no amount was accounted for as a contingent loss.

26. Related Party Transactions

Kvalitena AB has an ownership in terms of voting rights of 21.3% and holds one seat at the board of directors. As such, Kvalitena can exercise significant influence over the Company and is deemed to be a related party in accordance with IAS 24. The Company leases its office space from Kvalitena AB in Sweden. The terms of the lease are equivalent to those that prevail in arm's length transactions. As at 31 December 2019, Maha had no amounts outstanding as payable or receivable to or from Kvalitena AB.

27. Average Number of Employees

	Canada	United States	Brazil	Sweden	Company
Employees (2019)	7	5	45	1	58
(of which men)	5	5	38	0	48
Employees (2018)	8	7	31	–	46
(of which men)	6	7	24	–	37

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

28. Remuneration to the Board of Directors, Senior Management and Other Employees

(TUSD)	2019		2018	
Salaries, other remuneration and social security costs	**Salaries and other remuneration**	**Social security costs**	**Salaries and other remuneration**	**Social security costs**
Parent Company in Sweden				
Board members	132	34	86	5
Employees	14	1	–	–
Subsidiaries abroad				
Canada	2,020	29	1,666	25
USA	443	34	336	33
Luxembourg	–	–	7	1
Brazil	2,441	481	2,591	453
Total	**5,050**	**579**	**4,686**	**517**

Salaries and other remuneration for the Board members and the Company Management:

(TUSD)	Board Fee / Base salary	Other benefits[1]	Short-term variable remuneration[2]	Remuneration for Committee work	Option Based Award	Total 2019
Parent Company in Sweden – Board members						
Jonas Lindvall[3]	–	–	–	–	–	–
Wayne Thomson[4]	15	–	–	7	–	22
Anders Ehrenblad	25	–	–	20	–	45
Harald Pousette	18	–	–	22	–	40
Nicholas Walker	9	–	–	16	–	25
Total	**67**	**–**	**–**	**65**	**–**	**132**
Subsidiaries abroad – Management						
Jonas Lindvall	375	16	77	–	30	498
Other	752	36	150	–	109	1,047
Total Management	**1,127**	**52**	**227**	**–**	**139**	**1,545**

(TUSD)	Board Fee / Base salary	Other benefits[1]	Short-term variable remuneration[2]	Remuneration for Committee work	Option Based Award	Total 2018
Parent Company in Sweden – Board members						
Jonas Lindvall[3]	–	–	–	–	–	–
Wayne Thomson	32	–	–	7	–	39
Anders Ehrenblad	17	–	–	5	–	22
Harald Pousette	17	–	–	7	–	24
Total	**66**	**–**	**–**	**19**	**–**	**85**
Subsidiaries abroad – Management						
Jonas Lindvall	300	8	75	–	18	401
Other	614	12	155	–	112	893
Total Management	**914**	**20**	**230**	**–**	**130**	**1,294**

Salaries, Benefits and Social Security Costs

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

Incentive Programs

As of the date of this Annual Report, Maha has 2,000,000 Warrants under the Long-Term Incentive Plan as follows:

Long Term Incentive Plan

In 2017, the Company implemented a long-term incentive plan which provides for an annual grant of warrants. Each annual grant has a three-year duration and will vest equally in three tranches annually. The warrants currently outstanding were issued following the AGMs in 2017, 2018 and 2019. During 2019, 500,000 Warrants were issued to certain executives and employees of Maha following their approval at the AGM. Issued but not allocated warrants are held by the Company. Terms of the issued Warrants are as follows:

1 *Other benefits include pension, health insurance and other for the management.*
2 *This column shows bonuses accrued but not paid for one-time bonus plan based on certain performance achievements.*
3 *Jonas Lindvall was not compensated in the capacity as a Board member.*
4 *Wayne Thomson was the Chairman of the Board until June 2019.*

Warrants incentive programme	Exercise period	Exercise price, SEK	Number of Warrants 1 Jan 2019	Issued 2019	Expired 2019	Exercised 2019	Cancelled 2019	31 Dec 2019
2017 incentive programme	1 June 2020 – 31 December 2020	7.00	750,000	–	–	–	–	750,000
2018 incentive programme	1 May 2021 – 30 November 2021	9.20	750,000	–	–	–	–	750,000
2019 incentive programme	1 June 2022 – 28 February 2023	28.10	–	500,000	–	–	–	500,000
Total			**1,500,000**	**500,000**	**–**	**–**	**–**	**2,000,000**

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

29. Shares in Subsidiaries – Parent Company

Subsidiary	Registration number	Registered office	Share (%)	2019 (TSEK)	2018 (TSEK)
Maha Energy Inc.	2017256518	Calgary, AB, Canada	100	185,493	183,540
Maha Energy I (Brazil) AB	559058-0907	Stockholm, Sweden	100	620	620
Maha Energy II (Brazil) AB	559058-0899	Stockholm, Sweden	100	680	50
Maha Energy Finance (Luxembourg) S.A.R.L	B163089	Grand Duchy, Luxembourg	100	–	–
Mana Energy Services LLC	2018-002241022	Newcastle, WY, USA	100	5,675	9
				192,468	**184,219**

Participation in Subsidiaries (TSEK)	2019	2018
Opening value	184,219	183,640
Acquisition	–	9
Disposition	–	–
Write-off of investment	(18,683)	–
Paid shareholders' contribution	26,932	570
	192,468	**184,219**

The Tie Field Acquisition was made via the holding company Maha Energy Finance (Luxemburg) S.A.R.L. and it was completed through a combination of purchase of two loans receivables and shares. The seller and Maha Energy AB allocated a value of SEK 1 to the shares and SEK 317 million to the two loans receivables.

30. Loans to subsidiaries – Parent Company

Subsidiary (TSEK)	2019	2018
Maha Energy Inc.	86,256	52,277
Maha Energy (US) Inc.	45,353	29,293
Maha Energy Services LLC	16,286	–
Maha Energy I (Brazil) AB	7,358	61,759
Maha Energy II (Brazil) AB	46	630
Maha Energy Finance (Luxembourg) S.A.R.L	217,198	265,773
Maha Energy Brasil Ltda.	–	1,032
	372,497	**410,764**

Loans to subsidiaries (TSEK)	2019	2018
Opening value	410,764	430,633
New lending to subsidiaries	89,612	85,908
Loan repayment by subsidiaries	(127,879)	(105,777)
	372,497	**410,764**
Loans to subsidiaries – current	**7,358**	**–**
Loans to subsidiaries – long term	**365,139**	**410,764**

31. Auditor's Fees

	Group (TUSD)		**Parent** (TSEK)	
	2019	**2018**	**2019**	**2018**
Deloitte				
Audit assignment	184	209	536	475
Audit related	14	5	69	23
Tax advisory services	157	94	75	–
Other services	39	11	370	45
	394	**319**	**1,050**	**543**

Audit assignments refers to the examination of the annual accounts, the accounting records and the administration of the Board and CEO, other tasks incumbent on the company's auditor to perform as well as advice or other assistance resulting from observations made during an audit or the conduct of such other duties. Audit activities other than the audit assignment, pertain to quality assurance services, including assistance regarding observations made during such a review, which is carried out in accordance with ordinances, the Articles of Association, By-laws or agreements, and which result in a report that is also intended for others than the client. Advice on tax questions is reported separately. Everything else comprises other services including listing upgrade readiness review.

32. Proposed Distribution of Earnings

The Board of Directors proposes no dividends to be paid for the year. Furthermore, the board of Directors proposes that the unrestricted equity of the Parent Company of SEK 425,589,406 including the net result for the year of SEK (43,952,604) be brought forward as follows:

(SEK)	
Dividend	–
Carried forward	425,589,406
Total	**425,589,406**

33. Subsequent Events

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. for cash consideration of USD 4.0 million and assumption of USD 0.25 million in current liabilities, subject to working capital adjustments. A future contingent consideration of USD 3.0 million is possible if certain oil prices and production levels are met before 2023. The assets acquired strengthens Maha's production capabilities in the United States.

The initial accounting for this transaction was not complete at the time these consolidated financial statements were approved by the Board of Directors. As such, certain disclosures required under IFRS 3 in respect of the above transaction cannot yet be made.

Subsequent to year end, oil commodity prices declined significantly during the month of March as a result of Covid-19. While it is not possible to reliably estimate the length of this price decline, and hence their financial impact, if oil prices would remain at or below these levels for an extended period of time, this could have a material adverse impact on our financial results for future periods and impairment indicators for the Company's oil and gas assets would exist at 31 March 2020 or at a later quarter.

In light of the outbreak, Maha has been following the events closely and taking measures to minimize the impact on its operations. Additionally, and as previously disclosed, the Company has as a result of the current oil market conditions made revisions to its 2020 capital program and will continue to monitor the Company's forecasts and operating and capital investment plans.

Key Financial Data

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

Financial data from continuing operations		
TUSD	**2019**	**2018**
Revenue	55,589	38,132
Operating Netback	41,539	26,917
EBITDA	35,868	22,404
Net result	19,654	25,645
Cash Flow from operations	28,824	18,343

Capital structure	**2019**	**2018**
Return on equity (%)	22	37
Equity ratio (%)	65	58
Net debt (TUSD)	8,171	10,925
NIBD/EBITDA	0.2	0.5
TIBD/EBITDA	0.8	1.4

Other	**2019**	**2018**
Weighted number of shares (before dilution)	99,287,171	97,630,200
Weighted number of shares (after dilution)	107,943,095	102,199,428
Earnings per share before dilution, USD	0.20	0.26
Earnings per share after dilution, USD	0.18	0.25
Dividends paid per share	n/a	n/a

Key Ratio Definition

Return on equity:
Net result divided by ending equity balance

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

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

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

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.

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.

Reconciliation of Alternative Performance Measures:
Operating Netback
Operating netback is calculated as revenue (excluding processing income) less royalties, transportation costs and operating expenses, as shown below:

(TUSD)	**2019**	**2018**
Revenue	55,589	38,132
Royalties	(7,449)	(4,805)
Operating Expenses	(5,022)	(5,468)
Transportation costs	(1,579)	(942)
Operating netback	**41,539**	**26,917**

EBITDA
Earnings before interest, taxes, depreciation and amortization and non-recurring items (such as gain on contractual liability) is used as a measure of the financial performance of the Company and is calculated as shown below:

(TUSD)	**2019**	**2018**
Operating results	29,184	19,811
Depletion, depreciation and amortization	5,671	3,762
Exploration and business development costs	802	–
Foreign currency exchange loss / (gain)	(159)	(347)
Other loss / (gain)	370	(822)
EBITDA in TUSD	**35,868**	**22,404**

Relevant reconciliation of Alternative Performance Measures for the Bonds covenants (Note 15):

Net Interest-Bearing Debt		
(TUSD)	**2019**	**2018**
Bonds payable	30,621	31,180
Less:		
Cash and cash equivalents	(22,450)	(20,255)
Net Interest-Bearing Debt	**8,171**	**10,925**

Interest Coverage Ratio
Interest coverage ratio is defined as the ratio of EBITDA to Net Finance Costs.

Assurance

The board of directors and the managing director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Company's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Administration Report of the Company and the Parent Company provides a fair review of the development of the Company's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Company.

Stockholm,
29 April 2020

Anders Ehrenblad,
Chairman of the Board

Nicholas Walker,
Director

Harald Pousette,
Director

Jonas Lindvall,
Managing Director

Our audit report was submitted on 30 April 2020

Deloitte AB

Signature on the Swedish original

Fredrik Jonsson
Authorized public accountant

Auditor's Report

To the general meeting of the shareholders of Maha Energy AB

corporate identity number 559018-9543

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Maha Energy AB (publ) for the financial year 2019-01-01–2019-12-31 except for the corporate governance statement on pages 36–40. The annual accounts and consolidated accounts of the company are included on pages 30–75 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 36–40.

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

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Revenue recognition

Sales amount to USD 55.6 million as of 2019 and are generated from the Tartaruga and Tie fields in Brazil. The Company recognizes revenue when it transfers control of the product or service to the customer. The Company satisfies its performance obligations in contracts with customers upon the delivery of crude oil and natural gas, which is generally at a point in time.

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

The Company's disclosures regarding revenue recognition are included in note 2, 3 and 4 in the annual report, which provide details of the accounting principles for revenue recognition, segment information and disaggregated information on revenue.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the revenue process within the group in order to verify that the criteria of IFRS 15 Revenue from contracts with customers are met. We have also tested the design and implementation of relevant controls in those processes.
- We have focused our testing on whether or not the revenue recognition criteria have been met and whether revenues are accurately determined and recorded in the correct period. Our tests included confirmation of balances with the two major customers, tracking several sales transactions to delivery receipts and reviewing volume reconciliations with customers and Brazilian authority to determine if the oil or gas was delivered prior to the recognition of the sale.
- We have reviewed significant marketing contracts for sales terms (i.e. transfer of title and pricing terms).

Valuation of oil and gas assets

The carrying value of oil and gas assets represents the majority of the assets in the balance sheet in the Group and amounted to USD 97.4 million as of December 31 2019. Oil and gas assets are comprised of oil and gas properties (USD 76.2 million) and exploration and evaluation assets (USD 21.2 million). Information on accounting principles and critical estimates are disclosed in note 2 in the annual report. Further information on the oil and gas assets are disclosed in note 9 and 10 in the annual report.

Oil and gas properties and exploration and evaluation assets are assessed for impairment indicators at period end and whether or not an indication exists, the Company would be required to calculate the recoverable amount of the asset or cash generating unit and compare to the carrying amount.

Based on the assessment of impairment indicators, management concluded there were no impairment indicators identified for its oil and gas assets.

The assessment to identify potential impairment indicators and to perform potential impairment tests requires management to exercise significant judgement as described in the Accounting Policies and Critical Accounting Estimates and Judgements in note 2 as well as in note 9 and 10 in the annual report. There is a risk that the valuation of oil and gas properties and exploration and evaluation assets and any potential impairment charge may be incorrect.

We focus on the valuation of oil and gas assets due to the significant management judgement and estimates involved, such as the determination of indicators of impairment, assessment of oil and gas reserves, future cash flows and discount rate. The estimation of oil and gas reserves is a significant area of judgement and the estimates are important to the impairment assessment as well as for determining the depletion charges.

Our audit procedures included, but were not limited to:

- We evaluated the design and implementation of relevant internal controls to identify indicators of impairment.
- We obtained management's assessment of impairment indicators for oil and gas properties and evaluation and exploration assets as of December 31, 2019 and assessed and challenged the reasonableness of the assumptions used by management that no impairment indicator existed.
- As part of our assessment of impairment indicators, we considered the reserve estimates prepared by the Company's external reserve auditor, Chapman Petroleum Engineering, Ltc. We assessed the competence and objectivity of Chapman as expert, to satisfy ourselves they were appropriately qualified to prepare such reserve estimates.
- We reviewed that relevant notes in compliance with IFRS have been disclosed in the financial reports.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–29. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Maha Energy AB (publ) for the financial year 2019-01-01 – 2019-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 36–40 has been prepared in accordance with the Annual Accounts Act.

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

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

Deloitte AB, was appointed auditor of Maha Energy AB by the general meeting of the shareholders on 2019-05-23 and has been the company's auditor since 2016-05-22.

Gothenburg, 30 April 2020
Deloitte AB

Signature on the Swedish original

Fredrik Jonsson
Authorized Public Accountant

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