

Press release
Stockholm
24 August 2020

Maha Energy AB Announces Filing of Second Quarter Report & Live Webcast

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

Second Quarter 2020

- Record daily oil & gas production for Q2 2020 averaged 3,602 BOEPD (Q2 2019: 2,739 BOEPD)
- Illinois Basin, acquired at the end of Q1 2020, averaged at 144 BOEPD for Q2 2020
- Revenue of USD 7.9 million (Q2 2019: USD 14.1 million)
- Operating netback of USD 4.4 million or USD 13.80 per BOE (Q2 2019: USD 10.7 million or USD 43.30 per BOE)
- EBITDA of USD 3.4 million (Q2 2019: USD 9.2 million)
- Net result of USD 0.4 million (Q2 2019: USD 6.2 million)
- Basic and Diluted Earnings per share of USD 0.00 (Q2 2019: USD 0.06)
- Cash and cash equivalents balance of USD 15.7 million (Q2 2019: 20.5 million)

Six Months Ended 30 June 2020

- Daily oil & gas production for H1 2020 averaged 3,445 BOEPD (H1 2019: 2,704 BOEPD).
- Revenue of USD 19.1 million (H1 2019: USD 25.8 million)
- Operating netback of USD 12.2 million or USD 20.42 per BOE (H1 2019: 19.7 USD million or 41.83 USD per BOE)
- EBITDA of USD 9.9 million (H1 2019: USD 16.9 million)
- Net result for the period of USD 3.6 million (H1 2019: USD 10.4 million)
- Basic Earnings per share of USD 0.04 (H1 2019: USD 0.11)
- Diluted Earnings per share of USD 0.03 (H1 2019: USD 0.10)
- Cash and cash equivalents balance of USD 15.7 million (2019: 22.4 million).

Financial Summary

<i>(TUSD, unless otherwise noted)</i>	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	H1 2020	H1 2019	FY 2019
Net Daily Production (BOEPD)	3,602	3,288	3,165	3,593	2,739	3,445	2,704	3,044
Revenue	7,926	11,207	13,672	16,068	14,098	19,133	25,849	55,589
Operating netback	4,377	7,858	9,825	12,017	10,668	12,235	19,697	41,539
EBITDA	3,436	6,434	8,354	10,663	9,188	9,870	16,851	35,868
Net result for the period	407	3,191	2,679	6,570	6,157	3,598	10,405	19,654
Earnings per share – Basic (USD)	0.00	0.03	0.03	0.07	0.06	0.04	0.11	0.20
Earnings per share – Diluted (USD)	0.00	0.03	0.02	0.06	0.06	0.03	0.10	0.18
Cash and cash equivalents	15,699	19,190	22,450	20,421	20,504	15,699	20,504	22,450

Letter to shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

Record Quarter

The COVID-19 pandemic continues to challenge our business. Despite a record quarter for production, quarterly revenue is just over half of the comparable period last year. Three individuals (contractors) working at the Tie field tested positive for the virus, directly impacting operations (all three have since recovered). And finally, travel restrictions continue to cause real problems for the movement of equipment and people in Brazil. Despite this, Maha had a record quarter in terms of production, the quarterly netback is a healthy US\$ 13.80 per boe, OPEX is US\$ 7.66 per boe and our G&A cost is a stellar US\$ 2.61 per boe. Simply put at the average quarterly Brent price of US\$ 29.34, Maha is still generating significant positive netbacks (US\$ 13.80 per boe). Corrected for G&A expenses, on a per barrel basis, and Maha will continue to generate positive cashflows at a Brent Oil price as low as US\$ 16 per bbl. We are pleased to report our highest production quarter on record and 11th straight quarter of positive net results – we are still profitable, even at these challenging times. A true testament to the robustness of our assets and our team.

The first two months of the second quarter was in the epicenter of the COVID-19 storm. Our production capability suffered; as did the oil price. OPEX and CAPEX were reduced to conserve cash and the Company temporarily prepared for survival mode. Towards the end of the quarter, however, as the OPEC+ production cuts started to bite, and as oil prices stabilized, our operations and project work could resume. In terms of field activity, we are almost back to pre-COVID-19 levels.

Field work in Brazil

An unseasonably wet 'rainy season' has affected civil works for the remaining minor project works at the Tie field. The effect of this are a few weeks delay in flowline installations between GTE-4 and the battery, the compressor installation and the GTE-7 water supply line. Construction progress of the Tie south drilling locations have also been delayed by the rain. Further, and as mentioned, COVID-19 has caused labor issues as contractors reported in sick. An important event during the quarter was the recompletion of GTE-4 from a free flowing well to a dual pumping well. Positively, the GTE-4 Sergi zone is now producing 800 BOPD on pump, some 300 BOPD more than what was anticipated. Finally, at Tartaruga, Gas-To-Wire started delivering electricity to the local grid allowing for the associated gas there to be monetized.

Government Incentives

In response to the tough times, the Brazilian Government is considering temporarily reducing the oil and gas royalty from 10% to 5%. If this proposal is implemented, Maha will be profitable at an even lower oil price.

Negative Oil Price on 20 April.

On 20th April, history was made when, for one day, WTI oil was sold at a negative US\$ 36.98/bbl, meaning that sellers were paying buyers to take their oil. Of course, there was no fundamental supply and demand cause for this, instead it stemmed from oil traders having to pay to get out of their future contracts. Something we are not likely to see again. Note that this event affected only WTI oil, Brent oil was largely unaffected. Even as unusual as that was, it demonstrates how uncertain and volatile the oil markets were (and still are) due to the demand erosion of COVID-19.

The short version of the current oil market is;

- unprecedented reduction in demand for oil (although not as much as originally believed),
- there is still a large surplus of oil available, keeping prices low,
- high cost production has been hit very hard (shale oil, deepwater, oilsands)
- CAPEX has been slashed from already depressed expenditure levels,
- hundreds of independent oil companies have filed for bankruptcy since 2015.

Surprisingly, according to the Energy Information Agency (EIA), crude oil and gasoline inventories in the United States is only 16% and 8% higher respectively than the 5-year moving average¹. Furthermore, on 4 August, the EIA Monthly Crude Oil and Natural Gas Production Report stated: "Production of crude oil decreased in the United States in May 2020 by 1.99 million barrels per day (b/d), the largest monthly decrease since at least January 1980."

Given the OPEC+ cuts, the smaller than originally forecasted demand reduction, the knee-jerk reaction of industry CAPEX slashing, and as the world reboots, an upcoming crude oil shortage is easy to see. The timing of the balancing of the markets have constantly been updated and brought forward. Some analysts believe that the supply/demand

curves will cross already in the third quarter of this year. Of course, OPEC+ will easily be able to accommodate the increase in oil demand to the pre-COVID-19 levels, but thereafter it will become challenging. Slashing of CAPEX this year is compounded by five consecutive years of depressed investments into oil and gas projects. Given the very long lag time for oil to be brought on stream and onto the markets, the lack of investments for the past 6 years is concerning.

As the old adage goes: “the cure for high prices are high prices” – and the inverse of this is true as well.

To still turn a profit during the absolute worst quarter in modern history says a lot about the tenacity and resilience of the Maha team. I am super thankful to all of my fellow Maha colleagues for keeping the Company going whilst we all battle this pandemic. We think we are superbly prepared for the upcoming upturn in oil prices.

Stay well and stay healthy,

“Jonas Lindvall”
Managing Director

¹ EIA. August 4, 2020 U.S. Energy Information Administration’s (EIA) Monthly Crude Oil and Natural Gas Production Report. And 31 July,2020 Weekly Petroleum Data Report.

Q2 Webcast 24 August 2020

There will be a live webcast today, 24 August at 16:00 CET (Stockholm time) to present the Q2 results and provide an operational update. A link to the webcast is available on the Company’s website: www.mahaenergy.ca. Interested parties are encouraged to e-mail questions ahead of time to victoria@mahaenergy.ca. Questions posted on the day of the presentation should be done directly in the YouTube Comments/Questions field. The webcast will be broadcast live on Nyhetsbyrån Direkts Youtube Channel and hosted by Laikas’ Mr.Kaarlo Airaxin, and will feature Maha’s CEO Jonas Lindvall and CFO Andres Modarelli.

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Miscellaneous

This information is published in accordance with the EU Market Abuse Regulation.

Maha in Brief

Maha Energy AB is a Swedish public limited liability company. FNCA Sweden AB has been engaged as Certified Adviser and can be contacted at info@fnca.se or +46-8-528 00 399. The Company's auditors are Deloitte. The Company's predecessor Maha Energy Inc. was founded in 2013 in Calgary, Canada, by Jonas Lindvall and Ron Panchuk. In May 2016, the new group was formed with Maha Energy AB as parent company for purposes completing an initial public offering on the Nasdaq First North Sweden stock exchange. Jonas Lindvall, CEO and Managing Director, has 30 years of international experience in the oil and gas industry, starting his career with Lundin Oil during the early days of E&P growth. After 6 years at Shell and Talisman, Jonas joined, and helped secure the success of, Tethys Oil AB. Maha's strategy is to target and develop underperforming hydrocarbon assets on global basis. The Company operates three oil fields, Tartaruga and Tie in Brazil, Powder River (LAK Ranch) and Illinois basins in the United States For more information, please visit our website www.mahaenergy.ca.