MAHA ENERGY AB
Annual Report 2018

Contents

Information regarding AGM

The Annual General Meeting of shareholders of Maha Energy AB (publ) will be held on Thursday May 23, 2019, 3:00 p.m. at Setterwalls on Sturegatan 10 in Stockholm. The notice and the complete proposals of the Board of Directors etc. 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 Friday May 17, 2019 and must notify Maha Energy AB no later than Friday May 17, 2019. 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.

Financial Information

The company plans to publish the following financials reports:

- Three month report 2019 (January – March 2019) on May 22, 2019
- Six month report 2019 (April – June 2019) on August 26, 2019
- Nine month report 2019 (July – September 2019) on November 25, 2019
- Year-end report 2019 (September – December 2019) on February 28, 2020

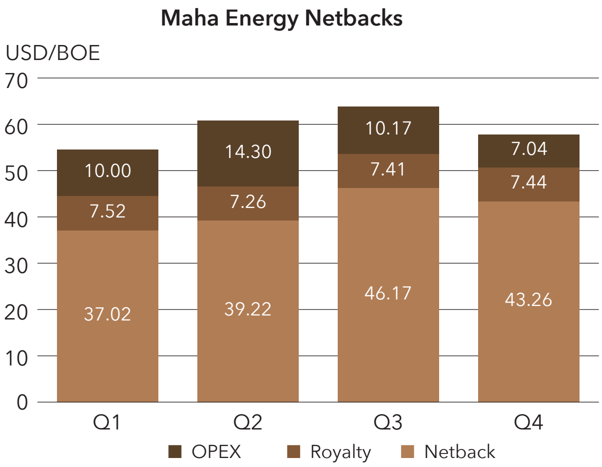
Maha Energy AB Business Strategy

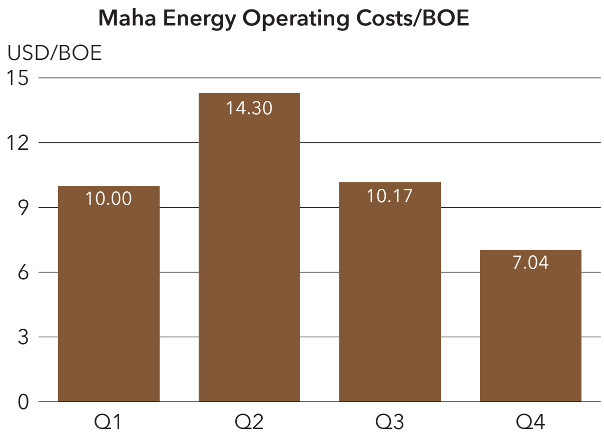
Maha Energy focuses on enhanced oil recovery engineering solutions for underperforming oil and gas assets.

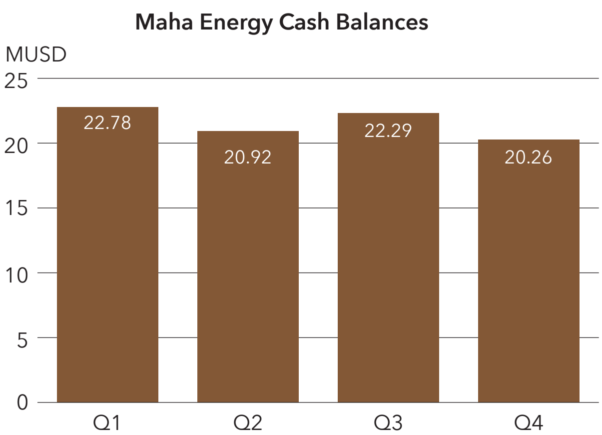
Maha is an independent, international upstream oil and gas company whose business activities include exploration, development and production of crude oil and natural gas. *As the Company focuses on applying modern state-of-the-art tailored solutions on assets with proven hydrocarbon systems to recover 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 (MAHA-A) in Stockholm. FNCA is the Certified Adviser.

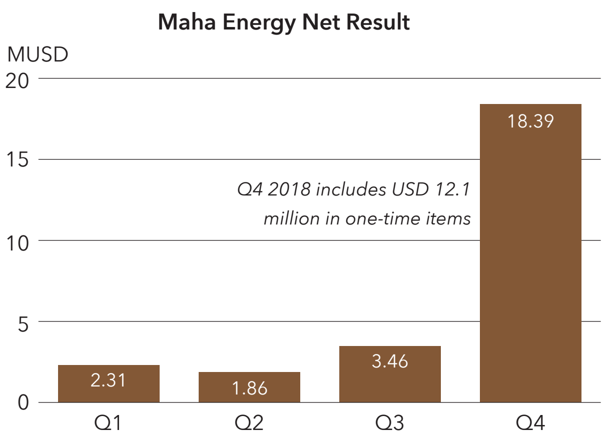
The head office is located in Stockholm, Sweden. The Company maintains a technical office in Calgary, Canada, as well as operations offices in Newcastle, USA, and Rio de Janeiro, Brazil.

2018 – A year of organic growth and profits









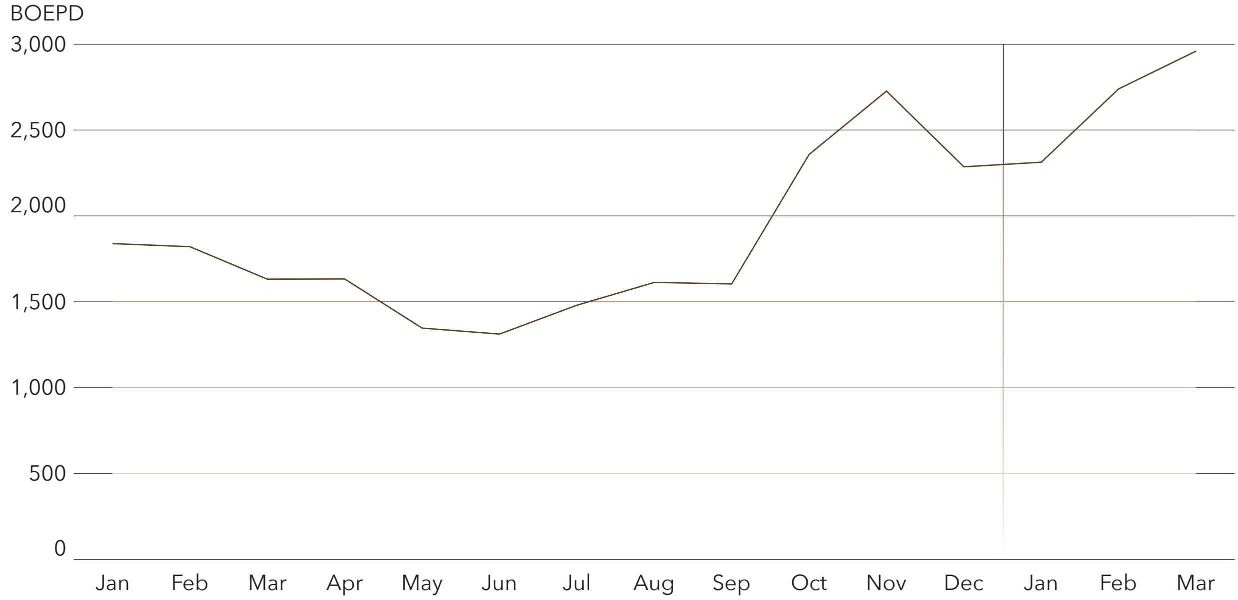
> *"2018 was a year of total focus. Total focus on safely, efficiently and frugally growing our acquired assets in Brazil"*

2018 – A year of operating safely

- Zero Lost Time Incidents recorded during 2018
- Implementing DuPont™ STOP™ safety system

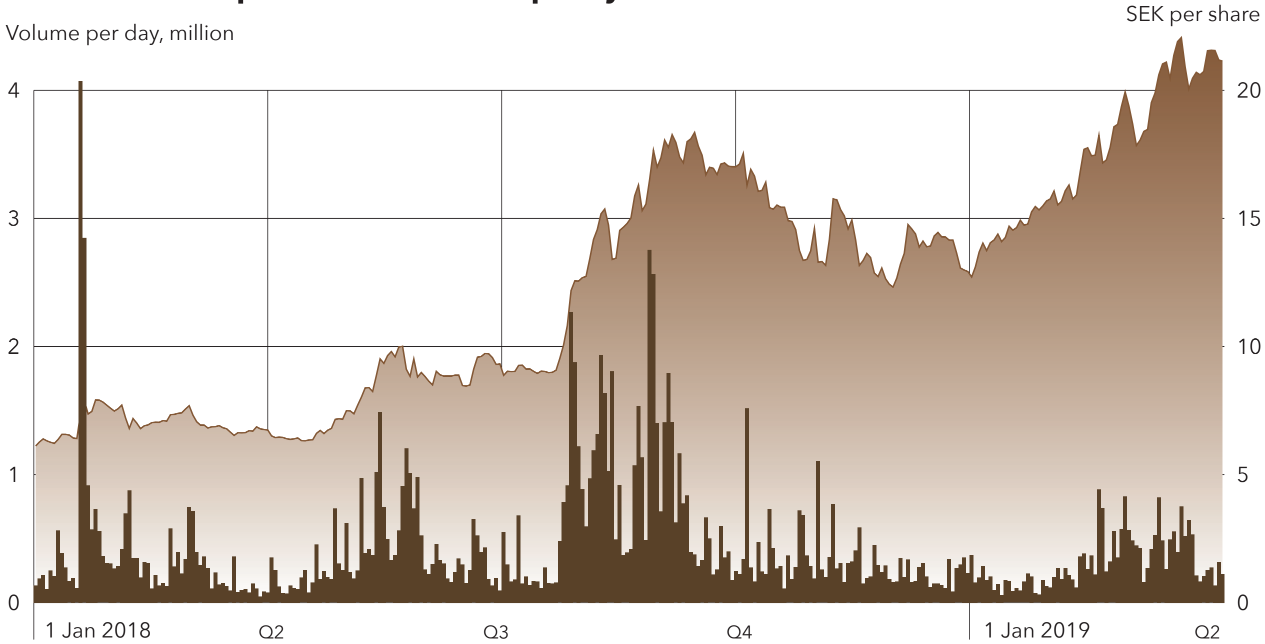
2018 Man hours:	371,010
2018 Lost Time Incidents:	0
2018 number of STOP™ Cards:	284

Maha Energy Production January 2018 – March 2019



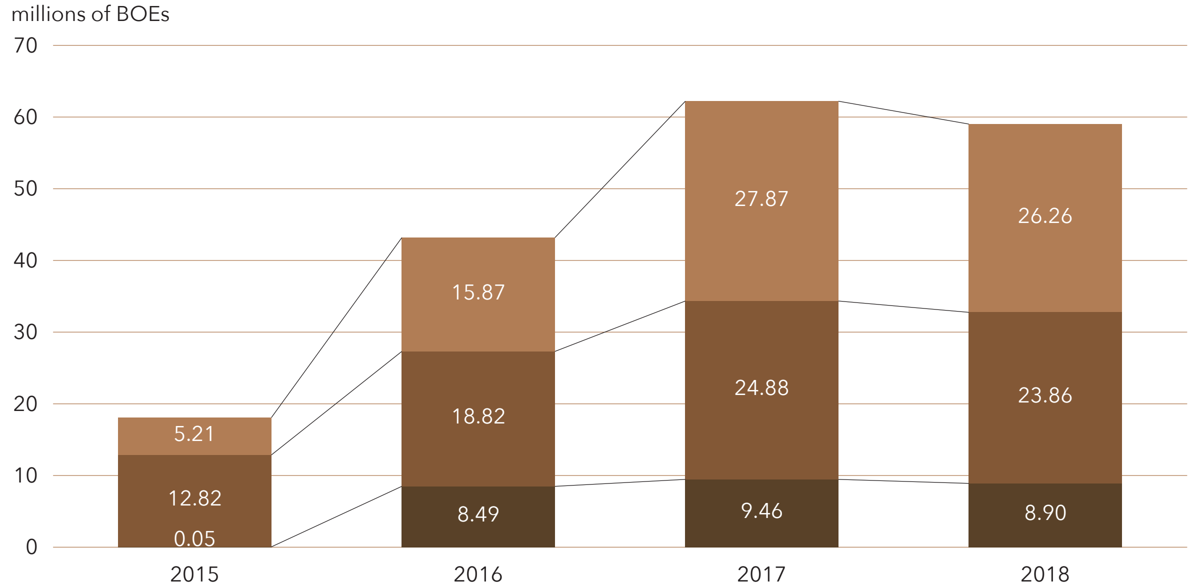
- 2018 exit production: 2,286 BOEPD. (2017: 1,663 BOEPD)
- 2018 average production: 1,804 BOEPD. (2017: 917 BOEPD)
- 2018 Revenue: USD 38.132 million (2017: USD 14.604 million)
- 2018 Average Oil Price: USD 58.88/BOE (2017: 44.89/BOE)

Maha A shares up 116% in 2018 – Liquidity still excellent



2018 High:	SEK 19.00 on 5 & 6 September, 2018
2018 Low:	SEK 6.05 on 2 January, 2018
2018 Annual average volume:	503,781 shares/day

Maha Reserves reflect year of production growth



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
- 2018 Average Production: 1804 BOEPD (93% oil). (2017: 917 BOEPD (93% Oil))
- Proven (1P) reserves: 8.904 million BOEs (95% oil)
- Proven plus Probable (2P) reserves: 32.768 million BOEs (97% oil).

Financial

Twelve Months Ended 31 December 2018

- Daily oil & gas production for the Twelve months 2018 averaged 1,804 BOEPD (2017: 917 BOEPD).
- Revenue of USD 38.1 million (2017: USD 14.6 million)
- EBITDA of USD 22.4 million (2017: USD 3.2 million)
- Net result for the period of 25.6 USD million which includes USD 11.3 million of recognized deferred tax recovery and USD 0.8 million of other gains during the fourth quarter (2017: USD -2.8 million)
- Basic earnings (loss) per share of USD 0.26 (2017: USD -0.03)
- Diluted earnings (loss) per share of USD 0.25 (2017: USD -0.03)
- Operating netback of USD 26.9 million or USD 41.57 per barrel (2017: USD 8.7 million or USD 26.73 per barrel)

Average 2018 SEK/USD Exchange Rate: 8.6997
Average 2017 SEK/USD Exchange Rate: 8.5447
SEK/USD Exchange Rate as at 31 December, 2018: 8.8701
SEK/USD Exchange Rate as at 31 December, 2017: 8.1836

Letter to Shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

There are good reasons to continue to be bullish about the oil industry according to the Paris based International Energy Agency (IEA). The IEA recently published the "Oil 2019 Analysis and Forecast to 2024". As usual with the IEA and the American sister Agency, the Energy Information Agency (EIA), the reports they publish are jam packed with interesting and useful information. I want to share some of this information with you here because it underscores the view we, here at Maha, have on the future of our business.

But first, let's review the year that just passed.

2018

2018 was transformational for Maha – the highlights of which were the completion of an aggressive capital program and a two-fold increase in daily production which translated to a year of continued positive net results.

Corporate

The Company posted its first profitable year. A Net Result of USD 25.6 million, including a USD 11.3 million deferred tax recovery benefit translating into a USD 0.26/share earnings. Average production for the year was 1,804 BOEPD, which was a little short of the 2018 target mainly due to drilling delays at the Tartaruga Field in Brazil. The Company's Proven + Probable (2P) reserves remain robust at 32.8 m BOE (97% oil).

Tartaruga Field

Due to operational reasons, the Company's two oil producing wells at Tartaruga (107D and 7TTG), onshore Brazil were shut in for most of the year. Proximity issues prevented simultaneous operations on the two wells as the drilling rig footprint interfered with the other well. As has been reported, stuck pipe during the drilling of 107D caused significant delays to the work program at Tartaruga. After successful hydraulic stimulation on the other well (7TTG) in February 2019, production finally resumed from the Field. The end result is that only 20,000 barrels of oil were produced at Tartaruga during 2018.

Tie Field

The Tie Field continues to be Maha's main source of cashflow; the year saw a doubling of production from the field from +/– 1,350 BOPD to +/– 2,500 BOPD with further significant production enhancements expected during 2019.

The jet pump installed on GTE-3 in July, 2018 proved an instant success. Despite not being able to dually complete the well as planned, GTE-3 has produced according to expectations during the year. This year, and as originally planned, GTE-3 will be recompleted as a dual producer with the accompanied expected increase in production. The long awaited Attic Well (now called 7-Tie-1DP-BA) spudded in February 2019. The results of this combined exploration/production well are eagerly awaited.

Finally, the Gathering Station at Tie was expanded and upgraded during 2018 from its original design of 2,000 BOPD to be able to handle up to 5,000 BOPD. During the year, the Company also secured off-take agreements for 4,100 BOPD with two purchasers. There are current negotiations for delivery of an additional 1,000 BOPD.

LAK Ranch

After the year's drilling program, the Company is still in the pre-production stage and is currently producing from five 'horizontal' wells supported by nine hot water injectors. Evaluation of the current production results will determine the future direction for LAK.

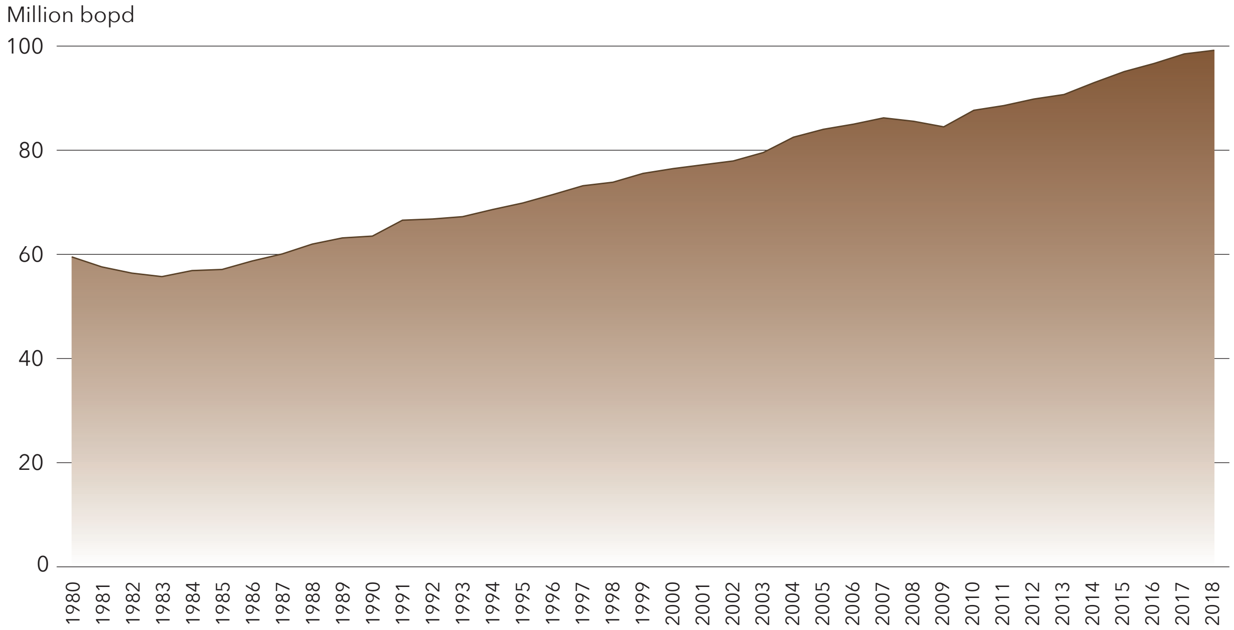
2019

Maha will continue with the expansion plans at Tie and Tartaruga fields according with the recent Press Release announcing the 2019 Capital Plan.[1]

Perhaps the most exciting results we had during 2018 were those from the 107D and 7TTG wells. Plans are now to upgrade the facilities at Tartaruga to handle higher expected oil volumes. Moreover, the results have substantially proven Maha's long held belief in the field's potential. There are 27 separate sandstone intervals, of which only 4 have been tested and 2 of those 4 zones have produced prolifically. Our work in 2018 has proven the applicability of horizontal drilling and the sands continue to respond positively to hydraulic stimulation; both technologies will dramatically enhance production.

As announced a new well will be drilled at Tartaruga Field during 2019 with an aim to test as many of these sand zones as possible. This new well will be drilled such that production will not be interrupted at Tartaruga during operations.

World Oil Demand 1980–2018



Oil 2019 Analysis and Forecasts to 2024 (IEA)

In October, 2018 the 100 million Barrel Oil Per Day (BOPD) global consumption milestone was passed.[2] The IEA estimates the global average oil consumption at 99.2 million BOPD in 2018[3] and by the end of 2024, less than five years from now, demand is expected to rise to 106.4 million BOPD, continuing its 39 year annual average increase of 1.37%.[3] (see graph)

The IEA continues in its analysis and predicts that in addition to the expected growth requirements, which is for the most part, linked to global economic growth, production volumes the size of the entire North Sea needs to be replaced every year, just to keep supply at 100 million barrels a day.[3] That is no small feat. In fact, it requires the industry to bring on more than 5 million barrels of **new** oil every year to keep up with growth.

It is good, then, that Maha is operating, and producing, in the two countries that are predicted to generate the bulk of the growth in production to meet this demand, the United States (US) and Brazil. The US and Brazil are estimated to add 4.1 and 1.2 million new barrels a day to the global oil market over the next 5 years respectively.[3] The largest sector for oil demand growth over the next five years is the petrochemical sector, accounting for 30% of the total volumes of new oil. Jet fuel is second at 14%. Gasoline is estimated to be only 1%, because of expected efficiency gains. China and India accounts for 44% of the growth in demand while conversely **negative** growth of -1.4% is expected for Europe.[4]

The use of one barrel of oil is now fairly evenly split between, Diesel (heavy transport) (29%), Gasoline (26%), Petrochemicals (19%), and other (Jet Fuel, Marine Oil and other) (26%).

Despite media reports to the contrary, oil remains a useful commodity that is in high demand. Maha is optimally placed – geographically and in time – for a bright and prosperous future doing its part to satisfy this demand.

I want to thank all my colleagues at Maha who have worked tirelessly, at times in great adversity, during the year to make these great results possible.

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

1 *See Press Release dated March 8, 2019*
2 *Bloomberg, 12 October, 2018*
3 *"Oil 2019 Analysis and Forecasts to 2024" IEA*
3 *International Energy Agency (various)*

Overview of Maha Energy 2018 Assets

The company currently holds assets in two countries. Two assets are considered to be light oil producing assets, whilst the third is heavy oil.

LAK Ranch
Wyoming, USA
99% WI (operator)
19 deg API oil

Tartuga
Sergipe, Brazil
75% WI (operator)
41 deg API oil

Tie Field
Bahia, Brazil
100% WI (operator)
36–38 deg API oil

Country	License name	Maha WI (%)	Status	Area (acres)	BOEPD[1]	Partner
USA	LAK Ranch	99%	Pre-Production	6,475	27	SEC
Brazil	Tartaruga	75%	Producing	13,201	56	Petrobras
Brazil	Tie	100%	Producing	1,514	1,721	
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**		**1,804**	

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

Brazil

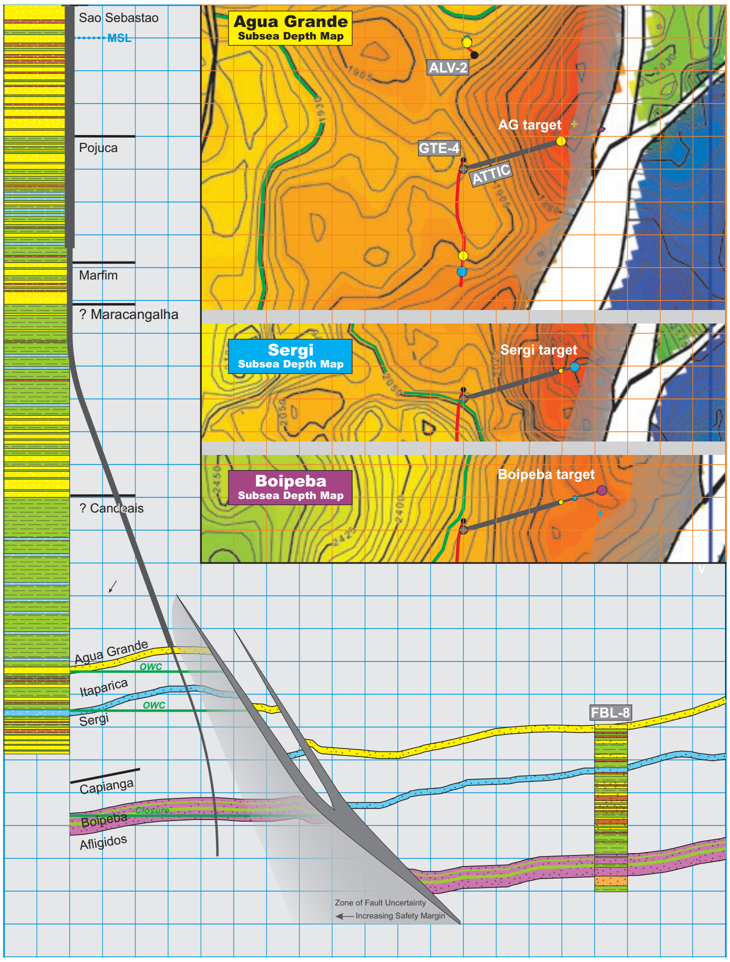
Reconcavo
Maha Energy closed its transaction to acquire the Brazil business unit of Gran Tierra Energy Inc. on 1 July, 2017. Through this transaction, Maha owns and operate, through a wholly-owned subsidiary, 100% working interests in six onshore concession agreements located in the Reconcavo Basin of 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. Production was only 1,356 BOEPD.

Water injection was quickly added to address the rising Gas Oil Ratios (GOR) in the AG and to provide pressure support and voidage replacement. This was completed at the end of 2017. Immediately following the acquisition in July, 2017, it was identified that an existing and shut in well (GTE-3) could benefit from artificial lift. Orders for several jet pumps were placed at the end of 2017 following an extensive review of artificial lift options. Jet pumps were chosen for uniformity and their ability to handle debris and high gas oil ratios.

GTE-3 (oil producer)
During the third quarter of 2018, the GTE-3 well was recompleted with a newly acquired jet pump immediately adding about 900 BOPD to the Tie Field production. Due to a stuck pressure plug in the short string, GTE-3 is currently producing from both the AG and Sergi zones by comingling the production in one string. By working the well over and recompleting both zones into individual strings, further production capacity should be available from GTE-3. This work is planned to be undertaken during 2019.

GTE-4 (oil producer)
GTE-4 continues to free flow and is enjoying the effects of water injection. Current production from GTE-4 Agua Grande and Sergi formations is approximately 1,500 BOPD. A jet pump has been installed and tested at the GTE-4 site. The pump will be hooked up and commissioned once one of the two zones stops free flowing.



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

Tie South Wells
The Company is in the process of obtaining two well licenses to drill two more development wells at Tie. These wells will be drilled on the southern flank of the field. The purpose of these two wells is to extend the production plateau of the Field. Depending on when approvals are obtained, these two wells might be drilled towards the end of 2019, but in most likelihood towards the beginning of 2020.

Production Facilities
During 2018, the production facilities at the Tie Field were upgraded from its original 2,000 BOPD handling capacity to 5,000 BOPD. A new Heater Treater, a new Group Separator and a Test Separator along with additional tankage and loading bays were installed and commissioned during the year. At the end of 2018, the new Facility was able to handle and process up to 5,000 BOPD. Minor work is still ongoing to complete the permanent upgrade and is expected to be finished during the first half of 2019. As the Tie Field is not connected to a pipeline system, all oil is exported by oil trucks. By the middle of 2019, the Tie Field will have four loading bays to enable continuous 5,000 BOPD oil exports.

The associated gas is separated and sold locally.

Fiscal Terms
The Tie Field is subject to a 10.0 percent royalty payable to the Government of Brazil plus 1.0 percent payable to the landowners in the vicinity of the Tie Field.

The statutory tax rate applicable to corporate income is 34 percent. However, the Company has secured until 2024 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
All oil produced at the Tie Field is trucked to two main purchasers, which for the remainder of 2019 is expected to be split approximately 1,100 BOPD to one purchaser and 3,000 BOPD to the other. The Company will receive payment in arrears for 1,100 BOPD and in advance for the remaining 3,000 BOPD. Work is ongoing and negotiations are far advanced to increase sales by an additional +/– 1000 BOPD. In the event the Company is successful in securing the additional +/– 1000 BOPD sales, the Tie Field will be producing at maximum capacity.

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 2018 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 in Brazil. The six concessions are in varying stages exploration and development. A total of 8 wells have been drilled and 212 km² of 3D seismic had been 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	Suspended, Drill 2 wells
Brazil	REC-T 118	11	100%	Exploration	7,734	Suspended, Drill 3 wells

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 during this time. The first well (ALV-2) discovered oil in the Agua Grande and Sergi formations, which became the 'Tie Oil Field'. Upon the approval of the Declaration of Commerciality on July 2012, the Tie field was carved out and converted to a Production License where the License Holder can produce the hydrocarbons until 2039 when the licence expires. The Tie Field carve-out covers an area of 1,511 acres.

Additional work concluded 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 one is fully completed. The remaining two phases include the commitment to drill one well per phase, however, moving to the next phase is optional to the Company.

The remainder of the Block is currently suspended pending the outcome of Brazil's moratorium of unconventional hydraulic fracturing which was imposed in 2014. 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 oil in minor quantities and produced 200 BOPD on test. A full coverage 3D seismic was also acquired during this time.

Additional work concluded 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, provided 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 to the Company.

The Block is currently suspended pending the outcome of Brazil's moratorium of unconventional hydraulic fracturing which was imposed in 2014. The Company is not required to post any financial guarantees on this exploration Block. The Company has and is conducting a full G&G review of its 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 proposed evaluation program. Both wells did not encounter any hydrocarbons of value. A full coverage 3D seismic was also acquired during this time.

Additional work concluded 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 recover the surface with the site 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 to the Company.

The Block is currently suspended pending the outcome of Brazil's moratorium of unconventional hydraulic fracturing which was imposed in 2014. The Company is not required to post any financial guarantees on this exploration Block. The Company has and is conducting a full G&G review of its potential for future exploration and development.

Block REC-T 224

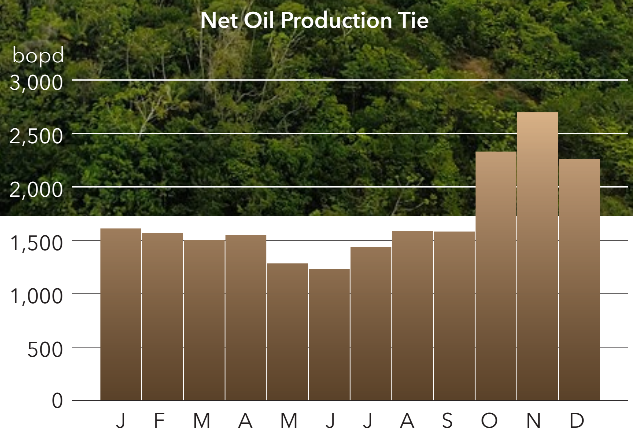
Block 224 was awarded as part of the 9th Bid Round in Brazil on 27 November 2007. A full coverage 3D seismic was also acquired during this time and the first phase of the work program has been completed.

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 a final Environmental License from the Authorities to drill the exploration well. The timing to obtain the Environmental Licence is uncertain but the process is ongoing. Upon receipt of the Permit, 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 has and is conducting a full G&G review of its potential for future exploration and development. 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. Upon receipt of the Permit, the Company must drill an exploration well within one year.

The Company can elect to reimburse the Government by cash payment of the Bond amount in lieu of drilling the wells. The Company has and is conducting a full G&G review of its potential for future exploration and development.



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 also acquired during this time. Work commitments to complete the first phase includes the drilling of two exploration wells. The second work phase requires a single exploration well to be drilled, but the Company can elect to relinquish the Block upon completing the first phase.

The Block is currently suspended until the Company receives a final Environmental License from the Authorities to drill the exploration wells. The timing to obtain these Environmental License is uncertain but the process is ongoing. Upon receipt of the Permit, the Company must drill an exploration well within one year.

The Company has posted a BRL 7.6 million Bond which is tied to the completion of the first phase of the work program. 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. The Company has and is conducting a full G&G review of its potential for future exploration and development.

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 also acquired during this time. Work commitments to complete the first phase includes the drilling of three exploration wells. The second work phase requires a single exploration well to be drilled, but the Company can elect to relinquish the Block upon completing the first phase.

The Block is currently suspended until the Company receives a final Environmental License from the Authorities to drill the exploration wells. The timing to obtain these Environmental Licence is uncertain but the process is ongoing. Upon receipt of the Permit, the Company must drill an exploration well within one year.

The Company has posted a BRL 11.4 million Bond which is tied to the completion of the first phase of the work program. 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 in lieu of drilling the wells. The Company has and is conducting a full G&G review of its potential for future exploration and development.

Tie Field (155)

The Tie Field was discovered in 2009 whilst drilling the well ALV-2. The Agua Grande (net pay = 8 m) and the Sergi (net pay = 6m.) formations logged oil and the Sergi formation tested oil at 740 BOPD. The well was declared a discovery and the Authorities granted an exploitation license that expires in 2039. Two appraisal and development wells were drilled in 2012 (GTE-3 and GTE-4) and the production facilities were completed in 2013. As at 31 December 2018 the field has produced over 2.128 million barrels of 37 deg API light oil from both formations.

Tartaruga Field — poised for organic growth

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.

During 2018, the Company commenced a significant work program which included the re-entry, new perforating, stimulation and recompletion of the 7TTG producing well along with the re-entry and horizontal sidetrack drilling of the 107D well. As stated in prior reports, the multiple stacked Penedo sandstone are likely to respond well to horizontal drilling and hydraulic stimulation. To that end, work planned for Tartaruga included both hydraulic stimulation of the existing 7TTG well and the horizontal side-tracking of the 107D well. In both cases, the very productive Penedo 1 sandstone layer was targeted. In the 7TTG well the Penedo 1 sandstone had never been produced and was considered 'pay-behind-pipe'.

As both wells on the Tartaruga Field are located on a production pad with only 7-meter distance between wellheads, both wells were required to be shut in during the well operations on Tartaruga. Downhole problems on both the 7TTG and the 107D wells significantly delayed resumption of oil production at the Tartaruga Field. The Field was essentially shut in for the entire year, providing only 20,237 bbls of oil net to Maha for the year.

107D

In early 2019, drilling of the 107D horizontal sidetrack was completed with a 500 m long horizontal hole in the Penedo 1 sandstone penetrating 312 m. of very good to excellent oil and gas shows. These results are important because they prove up horizontal continuity of the Penedo sandstone stringers and the applicability of horizontal drilling technology in the Tartaruga Field. 107D is awaiting perforating and completion which is anticipated to be completed in the first half of 2019.

7TTG Workover

The workover to recomplete the 7TTG well with larger tubing and a dedicated jet pump was originally planned for mid-2018, but a stuck 3-1/2" tubing prevented the work to be completed due to workover rig limitations. Following the completion of drilling operations at 107D this larger rig was mobilized and the fishing of the stuck tubing was successfully completed. The workover entailed the adding of perforations in the P4 and P1 sands along with a dedicated hydraulic stimulation procedure on the P1 zone. The well was completed to the P1 zone only with a 2-7/8" dedicated jet pump. Subsequent pump optimization and clean up operations have yielded a stabilized production rate of 750[1] BOPD from the P1 zone only. Prior to shutting 7TTG in during January 2018, the well was producing only 190[1] BOPD from the P6 zone.

7-TTG-3D-SES Delineation Well (New well)

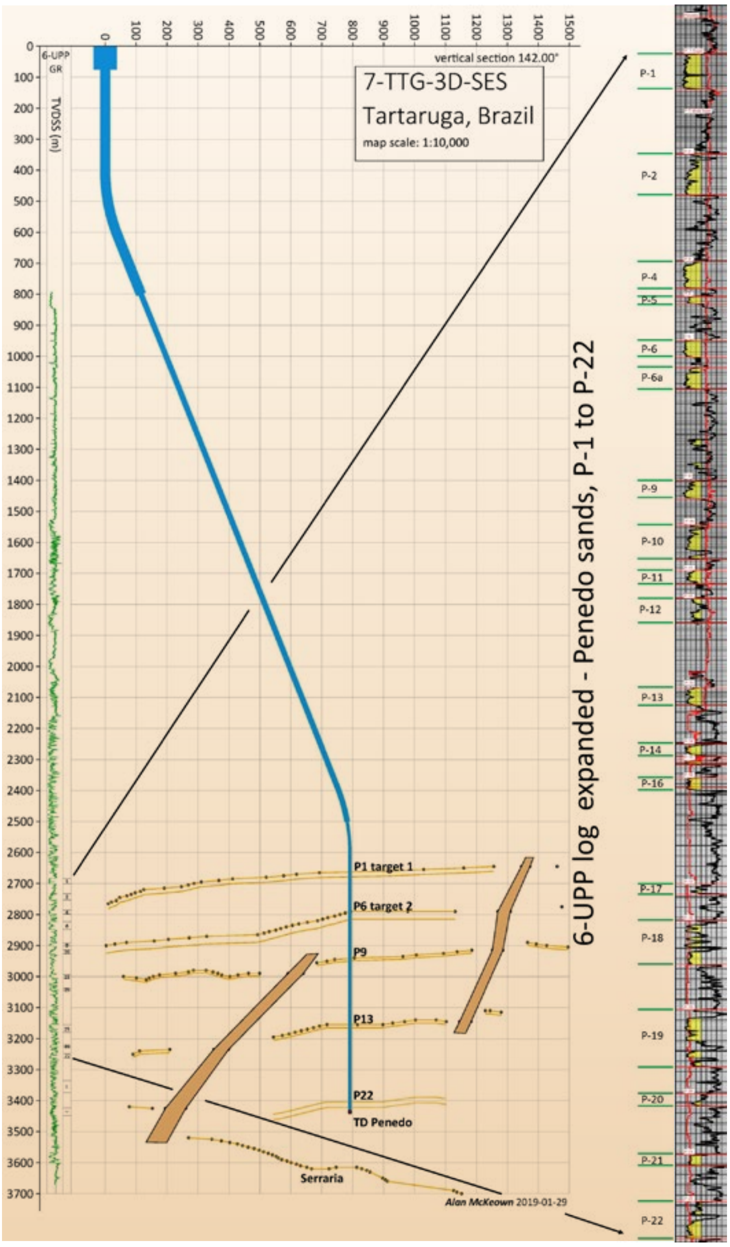
The Company plans to drill a new well from the Tartaruga site during 2019 ("7-TTG-3D"). The objective of the 7-TTG-3D well is to further test so far untested sandstone zones in the Penedo reservoir. The Penedo reservoir consists of up to 27 sandstone zones (hereinafter referred to as 'sands').

1 Gross Production Volumes. Maha has a 75% Working Interest in this Field.

All sands have been penetrated and logged in previous wells and all indications are that these sands contain oil, but only four (4) sands have been previously tested in order to confirm oil content. All four tested sands have tested varying amounts of oil.

7-TTG-3D will be drilled to the base of the Penedo sandstone. Electric logging results will dictate the scope of the Drill Stem Testing Program at the time. On the conclusion of the tests, the 7-TTG-3D well will be placed on production and connected to the Tartaruga Facility.

It is not anticipated that the Tartaruga Facility will be shut in during the drilling activities of the 7-TTG-3D well. The Company expects 7TTG and 107D (once perforated and hooked up) to produce continuously through 2019, except during shutdowns required for the Facility expansion, if any.



Production Facilities

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

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

The production test results from the 107D Sidetrack and the 7TTG Workover will dictate upgrade requirements for the production handling facilities at Tartaruga field. Based on present understandings it is anticipated facilities will be initially upgraded during 2019 with a view to handle up to 2,500 BOPD and 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. This facility work is expected to be completed during the second half of 2019. Further associated gas handling is currently being designed for implementation in 2020.

Fiscal Terms

The Tartaruga Block is subject to a 9.7 percent royalty payable to the Government of Brazil plus 1.0 percent payable to the landowners in the vicinity of the Tartaruga Block. An overriding royalty of 10 percent is also payable to Petrobras (Partner).

The statutory tax rate applicable to corporate income is 34 percent. This is comprised of a basic 15 percent corporate income tax, plus 10 percent surtax and 9 percent social contribution on net profit tax. Corporate income tax is payable on the total upstream profits of a company after deduction of prior year losses 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 from 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.

Property Description

The Tartaruga oil field is situated within the Sergipe sedimentary basin, eastern Brazil. The Company is the 75 percent owner of the Tartaruga oil field with the remaining 25 percent 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 two deviated wells drilled into the early Cretaceous Penedo Formation. The Tartaruga oilfield has produced approximately 1.104 million barrels of oil up and until December 31, 2018.

The light oil Tartaruga oil field is currently producing from the Penedo sandstone reservoir. Net reservoir pay has been estimated by Rincon Energy LLC, based in California, United States, an independent Geology and Geophysics

Hydraulic Stimulation of 7TTG

consulting group, 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). The Company's 2018 independent reserve engineers Chapman Petroleum Engineering Ltd., estimates the proven and probable (2P) volumes of oil originally in place in the Penedo sandstone alone to be 98.9 million barrels. An estimate of 263 million barrels originally in place is given for proven, probable and possible volumes (3P).

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, the OOIP previous third party estimates range between 6 million and 236 million barrels of oil originally in place, depending on structural closure and spill-point.

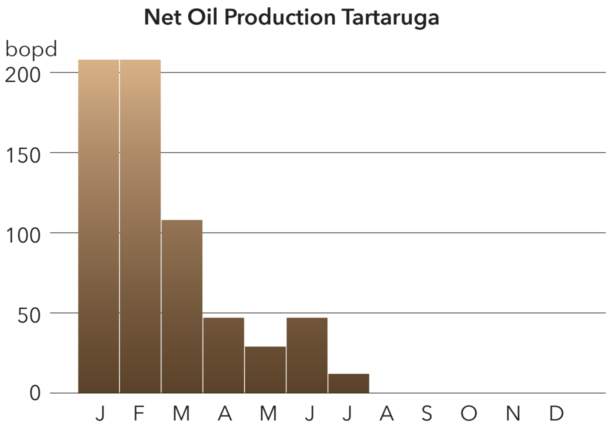
An adjacent structure to Tartaruga has produced oil from the "Morro de Chaves" formation, which lies above the Penedo formation. The "Morro de Chaves" has not been tested in the Tartaruga field and provides for further exploration potential on the field.

Maha believes that the application of horizontal drilling and modern day completion practices could have significant application in this field with the opportunity to materially increase production and reserves. Re-entries and side-tracking is a very cost effective way to use old wellbores, minimize impact on the environment and to increase production using horizontal drilling technology.

Tartaruga represents great growth potential

Penedo Sandstone

There are a total of 27 separate stacked sandstone reservoirs in the Penedo formation. To date only four have been tested of which two are now in production, Penedo 1 (P1) and Penedo 6 (P6). The reservoirs vary in thickness with the thickest being the Penedo-1 (26 m gross thickness). Total net pay measured in the 6-UPP well of all productive sands is over 80 m. There is believed to be significant additional opportunities for the development of oil and gas in the Penedo sandstone formation.



As outlined above, the Company will drill a well in 2019 (7-TTG-3D-SES) to commence in depth appraisal and delineation of the Tartaruga Penedo sandstone where previously untested sandstones will be production tested. With the encouraging results of the 7TTG (P1) hydraulic stimulation results, there is great anticipation for these upcoming tests.

Serraria Sandstone

The Serraria sandstone is a regional oil producer, and potential target for future oil exploration. The 6-UPP well penetrated the Serraria sandstone on the Tartaruga Block. The sand was not tested, as it was deemed water wet. However, because the well targeted the Penedo sands, it is believed that the Serraria was not penetrated in a structurally optimal position, in fact seismic analysis suggests that the Serraria was penetrated outside the structural closure at this location. A future vertical well in a structurally optimal position would provide a better opportunity for the proper testing of the Serraria target.

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, and computer aided modelling, core tests and field pilot tests that a simple water flood using hot water produces the best economic results. As at 31 December 2018, 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.

The Capstar #302 Drilling Rig was mobilized on 20 September 2018 to LAK. The first of 8 wells were spudded on 21 September 2018. The well drilling program (including 2 horizontal and 6 injector wells) is now complete with all 8 wells having been drilled and completed. The Drilling Rig was demobilized on 3 November 2018. The program was completed 2 weeks ahead of schedule and within budget.

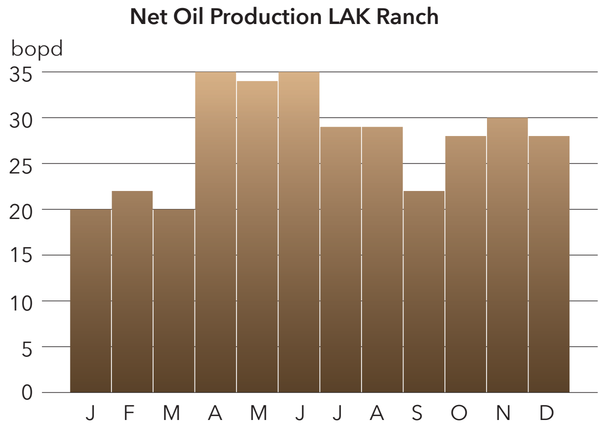
Technical work completed during 2015 and 2016 has laid the groundwork for the full field development plan. The full field development plan contemplates hot water injection (rather than steam) playing a more significant role than originally anticipated. The extra cost of hot water injector wells are far 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 2018, approximately 144,000 barrels of oil have been produced from the LAK Ranch field since its discovery.

Fiscal Terms

The Company is the 99 percent owner and operator of the LAK Ranch heavy oil field. The remaining 1 percent interest in the LAK Ranch field is entitled to 1 percent 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 percent to the State of Wyoming and 14.06 percent freehold royalties until 2019 at which time the royalty rate on certain areas within the field will increase to a maximum of 17.4 percent. During 2018, the minimum Freehold royalties were TUSD 120 per annum. Maha (US) Inc is subject to a flat 21 percent 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 2018, the Company generated a revenue of TUSD 509 on an average sales volume of 28 BOPD compared to TUSD 394 of revenue during 2017 from an average of 28 BOPD. During 2018, the LAK Ranch oil field produced a total of 10,068 barrels (2017: 10,177 barrels) net to Maha. The average realized price was USD 58.02/bbl (2017: USD 44.88 / 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 the 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 percent 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).



Monthly production (bbls) from LAK Field

Reserves and Resources

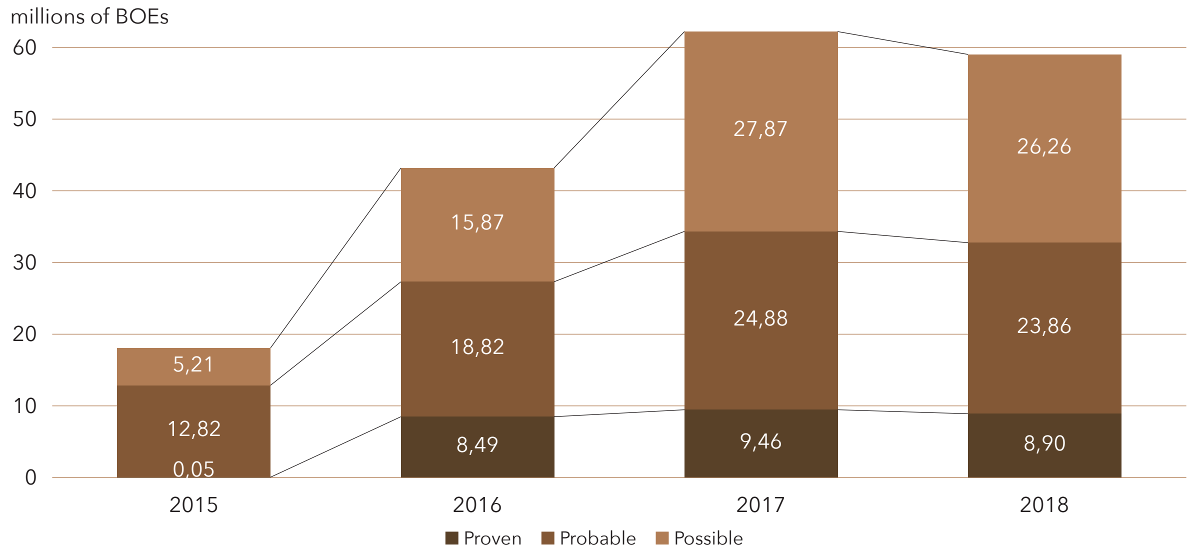
Audited Reserves (as at December 31, 2018)

	Oil (million bbls)			
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch	0.053	8.748	5.423	14.224
Tartaruga	3.808	8.349	19.077	31.234
Tie	4.584	6.150	1.604	12.338
Total	**8.445**	**23.247**	**26.104**	**57.796**
Proven (1P)				**8.445**
Proven & Probable (2P)				**31.692**
Proven & Probable & Possible (3P)				**57.796**

	Gas (million SCF)			
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch				
Tartaruga				
Tie	2,757	3,697	965	7,419
Total	**2,757**	**3,697**	**965**	**7,419**
Proven (1P)				**2,757**
Proven & Probable (2P)				**6,454**
Proven & Probable & Possible (3P)				**7,419**

	Barrels of Oil Equivalents (million BOE)			
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch	0.053	8.748	5.423	14.224
Tartaruga	3.808	8.349	19.077	31.234
Tie	5.043	6.766	1.765	13.574
Total	**8.904**	**23.863**	**26.265**	**59.032**
Proven (1P)				**8.445**
Proven & Probable (2P)				**31.692**
Proven & Probable & Possible (3P)				**59.032**

Maha Energy AB Reserves (31 December 2018)



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)". 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.

Reserves are also classified based on degrees of probability

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

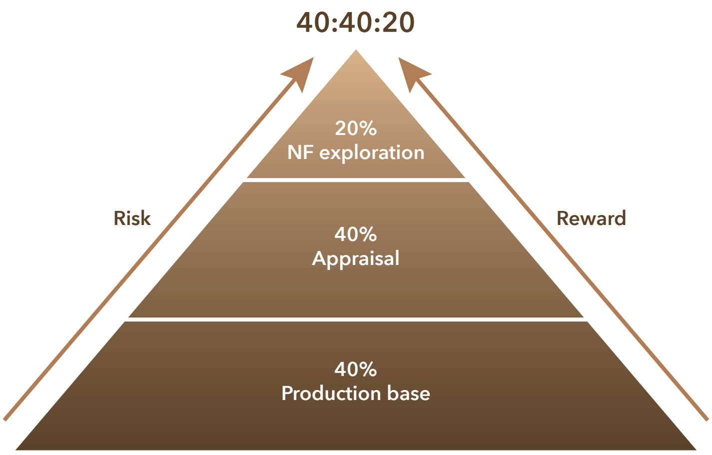
Industry Overview

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.

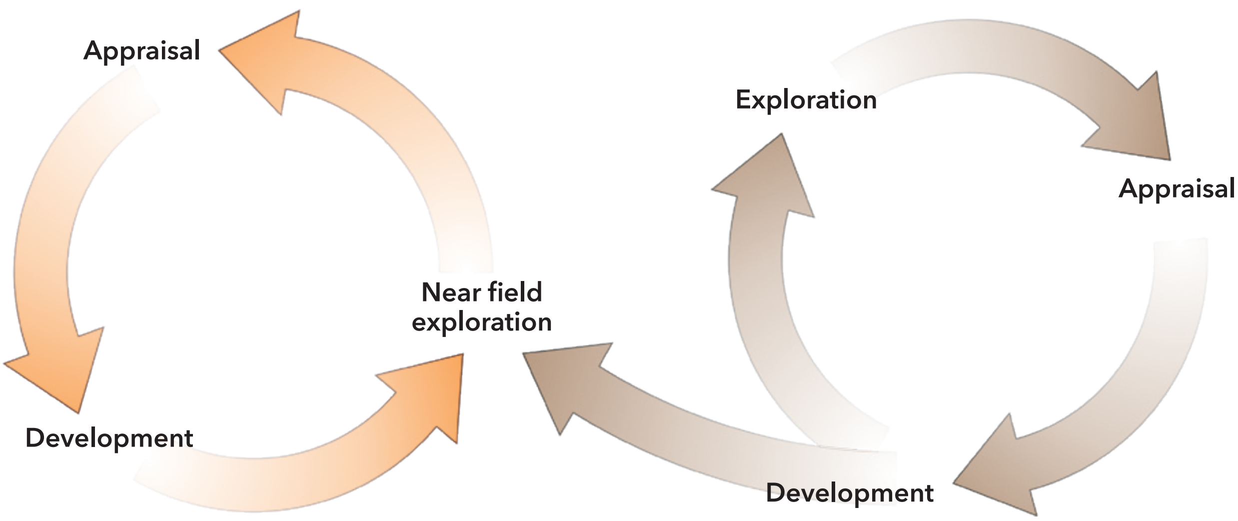
The Oil and Gas Business is made up into three segments; upstream, mid-stream and downstream. The downstream segment focuses on product manufacturing and distribution, for example, refineries and gasoline retail. The midstream segment deals with the storage and transportation of unrefined crude oil and 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 85% of the world's energy source,[1] and in 2018 the yearly average global oil consumption was approximately 99.2 million barrels[2] per day and by all accounts the world consumption surpassed 100 million barrels per day in 2018. Oil consumption has grown consistently over the past decades, and from 1980 to 2018, consumption has increased by 67% on a global basis. Global growth on a year-by-year basis has increased by an average of 1.37% since 1980. According to IEA's latest estimate, global oil consumption is expected to continue to increase going forward, growing by about 1.4 million barrels a day for 2019.[2] 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 63% of global consumption in 2018. 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.[2]

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 2018 the average global production totaled an estimated 99.2 million barrels per day.[2] From 2008 to 2018, production grew at an annual compounded rate of 1.5% per year, and production grew in all major regions of the world however with varying growth between nations. In the period, the United State was the largest growing producer increasing its oil production from 5.0 million barrels per day in 2008 to 11.7 million barrels per day in 2018.[2] About 100 countries produce crude oil. In 2018, 42% of the world's total crude oil production came from five countries: USA–12%, Russia–11%, Saudi Arabia–11%, United Iraq–4% and Iran–4%.

In terms of reserves, nearly half 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 60% of the world's proven reserves as at the end of 2017.[1,3]

Of the remaining oil reserves in the world, a large proportion is owned by state owned entities. In 2014, nearly 90 per cent of the world's oil reserves, including both conventional and unconventional oil, are controlled by national oil companies ("NOCs") or their host governments. Those NOC held reserves have by far the lowest average development and production costs. Remaining reserves are shared between major oil companies and independents. Many NOCs tend to focus on supplying their national markets, or are subject to political supervision thus impacting rate of production and flow of sales. On the other hand, privately owned companies (including major oil companies, independents and certain NOCs) are geared towards shareholders' interests and market signals. Due to the strategic importance of oil as a key source of energy supply in the modern economy, as well as a large portion of the world's remaining reserves being controlled by politically influenced national entities and located in countries that are members of OPEC, future production and supply of oil may be influenced by factors outside the course of normal market functions. This could in the future, as has been demonstrated in the past, have material impact on the trade of oil between countries, as well as the price of oil.

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 average levels of around USD 110 per barrel.

In recent history and since 1986, the price of oil has been determined by market forces. 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 world demand. In 2000, coupled with a reduction in supply due to the 1998 oil shock, Chinese oil demand took off. 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

1 *"2018 World Energy Oulook", International Energy Agency*

2 *"Oil 2019 Analysis and Forecast to 2024", International Energy Agency*

3 *U.S. Energy Information Administration, International Energy Statistics, crude oil including lease condensate.*

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 out 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 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.

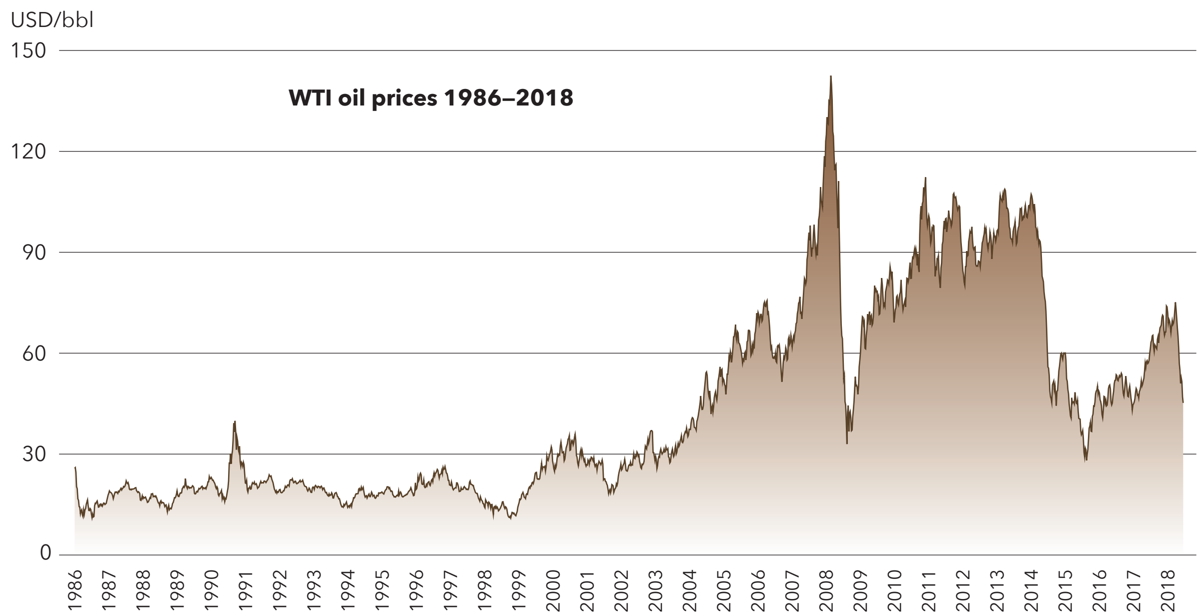
Oil prices continued to drop until the 12th of February, 2016 when WTI hit USD 26/bbl – a price not seen since November 1999 (notwithstanding the 2008 drop). Even though the industry was slow to recognize the severity of the downturn, what followed was a mass exodus of personnel and equipment from the 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. The beginning of 2019, saw a good rebound of the price of oil, and during the first quarter of 2019, oil hovered around the USD 65/bbl mark.

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 the US shale oil. On average global oil production declines at 4% – 5% per annum, meaning that the industry must replace 6% of oil production every year to keep abreast with demand.

The 2014 downturn spurred a huge reaction in the industry which manifested it-self in capital and operational reductions. Development schemes were shelved, exploration wells were dropped and seismic acquisitions were cut from the oil companies budgets. The downturn of 2014 created a ripple on future supply of crude oil. As demand continue to grow with time, there is a danger that the recent deep cuts in capital budgets, the industry will struggle to keep up with the future demand. And the cycle repeats itself.

The oil price is highly dependent on the current and expected future supply and demand of oil, and is as such 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 2018.



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 30 May, 2018.

Harald Pousette Wayne Thomson Anders Ehrenblad Jonas Lindvall

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 4,931,147 shares in Maha.

Wayne Thomson

Mr. Thomson holds a Bachelor of Science in Engineering from the University of Manitoba, is a member of APEGA, and has participated in Executive Management training at the University of Chicago and at Wharton School of the University of Pennsylvania. Mr. Thomson is a current director of Cenovus Energy; Chairman and President of Enviro Valve Inc., and Chairman of Inventys Inc. Mr. Thomson has over 40 years' experience in the oil and gas industry in Canada, North Sea, New Zealand, Eastern Europe and the Middle East. Wayne holds 165,663 shares in Maha.

Anders Ehrenblad

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.

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.

Senior Management

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

Ron Panchuk – Chief Corporate Officer and Corporate Secretary in Maha (Canada)
An experienced international oil and gas executive with law, commercial and business development skills having over 30 years' experience in over 40 countries. Ron was a former partner/counsel in prominent regional and international law firms including Burstall Winger and Blake Cassels & Graydon. He worked in the Middle East region extensively for over 20 years including 8 years as General Counsel with the Government of Dubai and 5 years as VP of a small E&P company. Ron obtained his LLB from University of Manitoba 1982.

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.

Robert Richardson – Chief Operating Officer
Mr. Richardson has a Bachelor of Science Engineering from the University of Alberta, a Masters Degree in Energy Business and an Engineering Science technology Diploma from SAIT. His diversified experience includes conventional oil & gas, secondary, tertiary & thermal recovery, shale oil and gas, acquisitions, CHOPS and renewable energy. He has over 25 years of diversified energy experience with an extensive background in management and engineering.

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.

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 Stockholm stock exchange.

Share Data

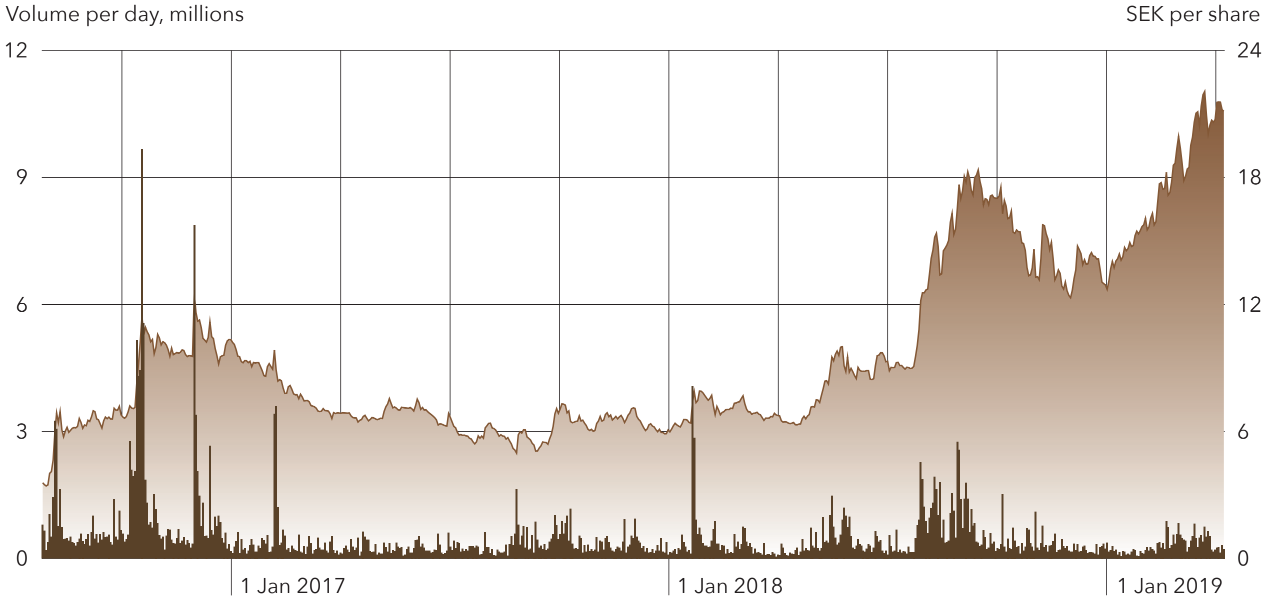
As at December 31, 2018 the Company had 98,369,050 shares outstanding of which 90,259,168 were Class A shares and 8,109,882 were class B shares. In addition, there were an additional 50,000 convertible class C2 shares. In the event that the existing Maha (Canada) stock options are exercised these convertible class C2 shares will be redeemed and exchanged for Maha (Sweden) Class A shares.

Share Ownership at December 31, 2018

Name	Number of Shares	Outstanding Shares
Kvalitena AB	21,421,660	21.8%
SIX SIS AG, W8IMY	5,170,625	5.3%
Karl Jonas Lindvall (Maha CEO and Managing Director)	*4,931,147	5.0%
UBS Switzerland AG / Client Accounts	4,882,936	5.0%
Forsakringsaktiebolaget, Avanza Pension	4,185,619	4.3%
Ron Panchuk (Maha Vice President and CCO)	2,934,016	3.0%
BNY Mellon NA (Former Mellon)	2,487,667	2.5%
Alandsbanken in place of Owners	1,924,137	2.0%
Danica Pension Forsakrings AB	1,720,862	1.7%
Al Subhi, Talal Saif	1,462,027	1.5%
Total, ten largest shareholders	**51,120,696**	**52.1%**
Remaining shareholders	47,248,354	47.9%
Total number of Maha A-Shares and B-Shares	**98,369,050**	**100%**

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

Share Price Development since 29 July, 2016

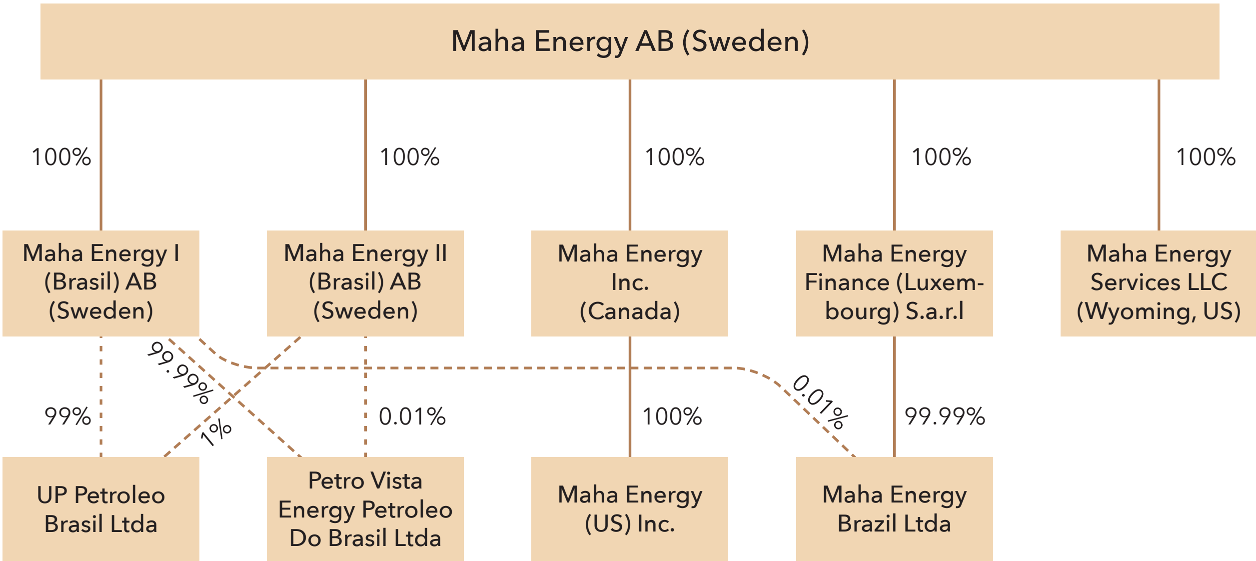


Administration Report

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 third Annual Report covering the period 1 January 2018 until 31 December, 2018, and the associated consolidated Financial Report for the year 1 January, 2018 until 31 December, 2018. This report is a review of Maha Energy AB results and management's analysis of its financial performance for the year ended 31 December 2018. 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 Kronor (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 2018.

Maha Energy AB is the parent company of a group which includes the Company's subsidiaries Maha Energy Services LLC (incorporation number 2018-002241022) 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 and 224 in Brazil.

Further, Maha Energy I (Brazil) AB and Maha Energy II (Brazil) AB own all of the issued and outstanding shares of UP Petróleo Brasil Ltda. (incorporation number 02.859.489/0001-87 –which owns 37.5% of and operates the Tartaruga Field in Brazil) and of Petro Vista Energy Petroleo do Brasil Ltda. (incorporation number 08.091.093/0001-19 – which owns 37.5% of the Tartaruga Field in Brazil). For more information see Note 30.

The consolidated financial statements reflect the activity of Maha for the years ended 31 December 2018 and 2017.

Financial Results Review

Result

The net result from continuing operations for the year amounted to the profit of TUSD 25,645 (TUSD -2,849). The increase compared to the comparative period was mainly driven by higher oil production, realized prices and lower general and administrative expenses which were offset by slightly higher operating and depletion costs. In addition, gain on contractual liabilities of TUSD 822 and deferred tax asset recognition of TUSD 11,259 added to the net result of the Company.

The net result from continuing operations attributable to shareholders of the Parent Company for the year amounted to TUSD 25,645 (TUSD -2,849) representing earnings per share of USD 0.26 (USD -0.03) and earnings per share diluted of USD 0.25 (USD -0.03).

Production

	2018	2017
Delivered Oil (Barrels)[1]	609,087	310,479
Delivered Gas (MMSCF)	296,189	144,602
Delivered Oil & Gas (BOE)[2]	658,452	334,579
Daily Volume (BOEPD)	1,804	917

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

Average daily production volumes increased by 97% in 2018 as compared to 2017 despite the Tartaruga production shut in for the latter half of 2018. For 2018, production reflects full year production of the Tie field as compared to only six months in 2017. Additionally, recompletion of GTE-3 well in the Tie field and returning it to production more than offset the production decrease due to the Tartaruga shut in.

Revenue

	2018	2017
Oil & Gas revenue (TUSD)	38,132	14,604
Sales volumes (BOE)	647,607	325,320
Oil realized price (USD/BBL)	63.18	47.94
Gas realized price (USD/MSCF)	1.17	1.22
Equivalent Oil realized price (USD/BOE)	58.88	44.89
Reference Price – Brent (USD/BBL)	71.06	54.74

Revenue for the year amounted to TUSD 38,132 (TUSD 14,604) and was comprised of net sales of oil and gas as detailed in Note 5. The significant revenue increase was due to higher sales volumes combined with higher realized prices. The 2017 sales volume and revenue reflect a half a year of sales from the Tie field as it was acquired on 1 July 2017. LAK Ranch production volumes are excluded from sold volumes as this field is still in pre-production stage. LAK Ranch production was 10,068 barrels (10,177 barrels) for the year.

The average price achieved by Maha for a barrel of oil equivalent amounted to USD 58.88 (USD 44.89). The average Brent oil price for the year 2018 amounted to USD 71.06 (2017: USD 54.74) per barrel.

Crude oil realized prices are based on Brent price less current contractual discounts 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 2018, crude oil from the Tie Field to Petrobras is sold at a discount to Brent oil price of USD 5.42/BBL plus an additional 2.6% discount on the net price (previously USD 8.48/BBL).

Tartaruga Field crude oil

Crude oil from the Tartaruga Field is entirely sold to Petrobras. During the first half of 2018, crude oil from the Tartaruga field was sold at a discount to Brent of USD 1.34/BBL and effective July 1, 2018 it is sold at a premium of USD 0.41/BBL.

Royalties

	2018	2017
Royalties (TUSD)	4,805	2,217
Royalties as a % of revenue	12.6%	15.2%
Per unit (USD/BOE)	7.42	6.81

Royalty expense for the year amounted to TUSD 4,805 (TUSD 2,217). The royalty expense increase is consistent with the higher revenue during the year. Royalty expense on a percentage basis is lower than the comparative period as higher royalty-rate Tartaruga production was shut in for latter half the year. Tie field royalties are cash royalties based on the realized price therefore higher revenue resulted in a higher royalty expense.

Production and operating costs

(TUSD, unless otherwise noted)	2018	2017
Production and operating costs	5,468	3,069
Transportation costs	942	623
Total Production and operating costs	6,410	3,692
Per unit (USD/BOE)	9.89	11.35

Production costs for the year amounted to TUSD 6,410 (TUSD 3,692) as detailed above. Production expenses for 2018 were higher as a result of full year of production and operating costs of the Tie field as compared to only half a year in 2017. On a per BOE basis production and operating costs are lower as a result of higher sales volumes Excluding transportation, the majority of production and operating costs are fixed resulting in lower production costs on a per BOE basis as production increases.

Operating Netback

	2018	2017
Operating Netback (TUSD)	26,917	8,695
Netback (USD/BOE)	41.57	26.73

Operating netback is calculated as revenue less royalties, production and operating costs. Operating netbacks for the year amounted to TUSD 26,917 (TUSD 8,695). On a per BOE basis, operating netback was higher against the comparable periods by 55% mainly as a result of increased realized oil prices and lower per BOE production expense.

1 *Includes LAK Ranch delivered oil of 10,068 BBLs in 2018 and 10,177 BBLs in 2017.*

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

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")

	2018	2017
G&A (TUSD)	4,222	5,257
G&A (USD/BOE)	6.52	16.16

G&A expenses for the year amounted to TUSD 4,222 (TUSD 5,257). Lower G&A expenses reflects results from measures implemented towards increasing synergies and efficiencies following the Brazil acquisitions in 2017. In addition, higher G&A amounts have been capitalized as part of property, plant and equipment as a result of higher capital activity in 2018. In addition, 2017 expenses were higher mainly due to additional costs related to the acquisitions and related fundraising activities.

Not included in the G&A expenses are the 2017 transaction costs of TUSD 361 related to incremental costs directly attributable to the Tie Field and Tartaruga blocks acquisitions, such as legal and other professional fees.

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

	2018	2017
DD&A expense (TUSD)	3,762	2,091
DD&A expense (USD/BOE)	5.81	6.43

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 amounted to TUSD 3,762 (TUSD 2,091) at an average rate of USD 5.81 per BOE (USD 6.43 per BOE). The higher depletion expense is consistent with the higher sales volumes for the year. Depletion rate for the year is lower as a result of higher reserves and higher depletable base.

Foreign currency exchange gain or loss

The net foreign currency exchange gain for the year amounted to TUSD 347 (TUSD -112). 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 amounted to TUSD 4,715 (TUSD 3,188) and are detailed in Note 6. The main reason for the increase is full year interest expense of TUSD 4,138 (TUSD 2,493) on the Senior Secured Bonds in 2018 as compared to a part year in 2017. Accretion of the Bonds payable discount amounted to USD 1.1 million. Accretion of the discount rate on the decommissioning liabilities provision amounted to TUSD 102 (TUSD 75). Included in Finance costs are foreign currency exchange losses related to the financing costs and foreign currency risk management contracts.

Gain on contractual liabilities

The gain of TUSD 822 represents reversal of provisions recorded during the acquisition of the Brazilian business unit of Gran Tierra Energy Inc. in July 2017. The Company was able to negotiate and terminate a contingency payment in relation to meeting certain operational milestones as per the original agreement with the prior block owner. In addition, the Company revalued the provision for contractors' liabilities in Brazil which had an adjustment due to a statute of limitations.

Balance sheet

Non-current assets

Property, plant and equipment amounted to TUSD 58,834 (TUSD 54,326) and are detailed in Note 10. Exploration and evaluation expenditure amounted to TUSD 20,685 (TUSD 17,789) and are detailed in Note 9.

Total expenditures incurred during the year were as follows:

(TUSD)	Brazil	USA	Total
Development	16,732	–	16,732
Exploration and evaluation	–	3,154	3,154
	16,732	**3,154**	**19,886**

The 2018 development expenditures in Brazil mainly related to 107D horizontal sidetrack well and 7TTG workover in the Tartaruga field and the GTE 3 well recompletion and facilities upgrade in the Tie Field.

Exploration and evaluation expenditures in the USA were to complete the phase 3 of the drilling 8 wells which included 6 injector and 2 producing wells, in the LAK Ranch property.

In 2018 Maha recognized a deferred tax recovery of TUSD 11,259 as detailed in Note 8. The deferred tax asset has 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.

Performance bonds and others amounted to TUSD 177 (TUSD 176) and represents the Company's financial guarantee to operate the lease in LAK Ranch area.

Current assets

Derivative instruments amounted to nil (TUSD 141) and related to the marked-to-market gain on the outstanding commodity hedges and currency hedge contracts due to be settled within twelve months and are detailed in Note 20.

Crude oil inventories amounted to TUSD 57 (TUSD 314) from oil inventory in Brazil. The decrease compared to last year is related to decrease in inventory in the Tartaruga field resulting from the Tartaruga field shut in for the second half of the year.

Prepaid expenses amounted to TUSD 686 (TUSD 753) and represented mainly prepaid operational and insurance expenditure.

Accounts receivables amounted to TUSD 4,368 (TUSD 2,229) and are detailed in Note 11. Trade receivables, which are all current, amounted to TUSD 3,127 (TUSD 1,167) and included invoiced oil and gas sales.

Restricted cash amounted to TUSD 2,804 (TUSD 3,037) and includes cash related to bank guarantees and financial commitments. Further details are in Note 26.

Cash and cash equivalents amounted to TUSD 20,255 (TUSD 18,729). Cash balances are held to meet ongoing operational funding requirements.

Non-current liabilities

The Bonds payable amounted to TUSD 31,180 (TUSD 32,678) and are detailed in Note 15. Capitalised financing fees 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 1,720 (TUSD 1,849) and relates to future site restoration obligations.

Other long-term liabilities and provisions amounted to TUSD 8,093 (TUSD 7,384) and are detailed in Note 17. Other long-term liabilities and provision resulted mainly from the minimum work commitments on exploration blocks acquired as part of the Tie Field Acquisition. In addition, certain labour and contractors claims provision relates to the existing legal matters concerning labour and contractors.

Current liabilities

Accounts payables amounted to TUSD 4,029 (TUSD 3,502) and accrued liabilities amounted to TUSD 4,829 (TUSD 3,879) and are detailed in Note 18.

Share data

Shares outstanding 31 December 2018	
Class	**Number of Shares**
A	90,259,168
B	8,109,882
C2	50,000
Total	**98,419,050**

During 2018, a total of 2,074,717 of Maha-A TO warrants were exercised prior to their expiration on January 15, 2018 at the pre-determined strike price of SEK 6.40 per share representing approximately one third of all of the A warrants outstanding. Accordingly, 2,074,717 A Warrants were cancelled and the same number of new shares of class A issued. The remainder of the Maha-A TO warrants are now expired. The total proceeds from this transaction were SEK 13.3 million (approximately TUSD 1.5 million) before issuance costs. The issuance costs of TSEK 332 (TUSD 38) were incurred to mainly register and list the shares.

During 2018, 1,138,687 C2 options were exercised for which same number of Class A shares were registered and issued and remainder of the 509,313 options were cancelled. In addition, 1,073,739 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.

Cash flow

Cash flow from operating activities amounted to TUSD 18,343 (TUSD -1,294). Cash flow from investing activities amounted to TUSD -15,756 (TUSD -38,938). During the year cash was spent on development of producing oil and gas properties and exploration and evaluation properties. During 2017, cash was spent on acquisition of the oil and gas assets in Brazil (Tie field and Tartaruga block).

Cash flow from financing activities amounted to TUSD 1,721 (TUSD 50,891) and mainly relates to cash from the exercise of warrants. The previous year, the new issue contributed net TUSD 18,266 and the Bonds issued contributed TUSD 32,625.

Total change in cash and cash equivilents for the period amounted to TUSD 1,526 (TUSD 11,971).

Liquidity and capital resources

As at 31 December 2018, the Company had current assets of USD 28.2 million comprised primarily of cash and cash equivalents, accounts receivable and prepaid expenses and deposits. The Company had current liabilities of USD 8.9 million resulting in net working capital of USD 19.3 million (2017: USD 17.5 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 activity 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, as well as its continued ability to raise capital or debt. For additional information on financial risks identified by the Company, please refer to Note 22 to the Financial Statements.

Legal matters

Following the Tie Field Acquisition effective July 1, 2017, the Company inherited, through the acquisition of Gran Tierra Energy Brazil Ltda., a number of disclosed pre-existing legal matters concerning labor, regulatory and operations. Since taking over operations a number of new similar ordinary course legal matters have arisen. All of these are considered routine, non-material and consistent with doing business in Brazil. Provisions for lawsuits have, in consultation with the Company's Brazilian legal counsel, been recorded under accrued 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 16 to the Consolidated Financial Statements.

Related Party Transactions

The Company did not enter into any transactions with related parties in 2018.

Seasonal Effects

Maha Energy has no significant seasonal variations.

Subsequent Events

Subsequent to the yearend, a total of 1,000,857 of Maha-A TO2 warrants were exercised at the pre-determined strike price of SEK 7.45 per share. Accordingly, 1,000,857 A Warrants were cancelled and the same number of new shares of class A issued. The total proceeds from this transaction were SEK 7.4 million.

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 no employees. This year's activities focused on integration and optimization of the 2017 corporate acquisitions by the Group of the Brazilian operations of Grand Tierra Energy Inc. in Bahia, Brazil and the Tartaruga Field in Sergipe, Brazil (the "Acquisitions") and the continued evaluation of the LAK assets.

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 452,234,932 including the net result for the year of SEK (10,088,311) be brought forward as follows:

(SEK)	
Dividend	–
Carried forward	452,234,932
Total	**452,234,932**

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 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 2018 Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act. It explains how Maha has conducted its corporate governance activities during 2018. 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, and 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
- **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.

Shareholders

The Company's shares (MAHA-A) are traded on Nasdaq First North and the Company's Secured Bonds 2017-2021 (MAHA 101) are traded on Nasdaq OMX. At year-end 2018 the share capital amounted to TSEK 453,326, represented by 98,369,050 shares, of which 90,259,168 were Class A shares and 8,109,882 were class B shares. In addition, there were an additional 50,000 convertible class C2 shares. The class A and B shares have one (1) vote per share whereas the class C2 shares have two-tenths (2/10) votes 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 21.8 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 Swedish Official Gazette, Svenska Dagbladet and its 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, B and C2 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 2018 AGM (in compliance with the Articles of Association and Swedish laws) was held in Stockholm on May 30, 2018. Seventeen (17) shareholders were represented at the AGM, representing 43.05 percent of the votes and share capital in the Company. The submissions and resolutions passed by the 2018 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 10%. 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 2018 AGM, the Nomination Committee for the 2019 AGM consists of members appointed by three (3) of the largest shareholders of the Company based on shareholdings as at 30 September 2018 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 22 October 2018 (within the time frame of six (6) months before the AGM as prescribed by the Code).

The Nomination Committee for the 2019 AGM consists of:

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

The Nomination Committee for the 2019 AGM is currently completing its mandate. The Nomination Committee Report, including the final proposals to the 2019 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 4 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 2019 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 in the Company has not changed since the Company's 2018 AGM. The current Board is as follows Mr. Wayne Thomson (Chairman), Mr. Anders Ehrenblad, Mr. Jonas Lindvall and Mr. Harald Pousette (see bios in section "The Board of Directors and Management").

During 2018, 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
Wayne Thomson	2014	Chairman	1951	Canadian	Yes	Yes
Jonas Lindvall	2013	Member	1967	Swedish	No	No
Anders Ehrenblad	2013	Member	1965	Swedish	Yes[1]	Yes
Harald Pousette	2017	Member	1965	Swedish	Yes	No

1 *Anders Ehrenblad is the Deputy Managing Director of Maha Energy AB for Swedish law purposes and to ensure the Company has a signatory in Stockholm, but performs no formal or informal management role*

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 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 2018 AGM for the period up to and including the 2019 AGM, consisting of Wayne Thomson as Chairman, Harald Pousette and Anders Ehrenblad. The previous Audit Committee (up to the 2018 AGM) was the same.

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 Q1 – Q4 Financial Statements and Management Report, the Year End Financials and the Annual Report.

Compensation, Corporate Governance and Disclosure Committee

The Board established a Compensation, Corporate Governance and Disclosure Committee shortly after the 2018 AGM for the period up to and including the 2019 AGM, consisting of Harald Pousette as Chairman, Anders Ehrenblad and Wayne Thomson.

This Committee convened in conjunction with the 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.

Reserves/HSE Committee

The Board established a Reserves/HSE Committee shortly after the 2018 AGM for the period up to and including the 2019 AGM, consisting of Wayne Thomson, Chairman and Jonas Lindvall. This Committee convened as required in 2018. 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
Wayne Thomson	5/5	Yes (Chairman)	5/5	Yes	2/2	Yes (Chairman)	1/1
Jonas Lindvall	5/5	–	–	–		Yes	1/1
Anders Ehrenblad	5/5	Yes	5/5	Yes	2/2	–	–
Harald Pousette	5/5	Yes	5/5	Yes (Chairman)	2/2	–	–

External Auditors

At the 2018 AGM for the period until the conclusion of the next Annual General Meeting the authorized accounting firm Deloitte AB was elected as Maha's 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 must meet as a 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.

Remuneration for Board Members and Senior Management

For additional information on Board member and senior management compensation please refer to Note 29 to the Financial Statements.

Information and Communication

The Board has adopted 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.

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 control 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	2018	2017
Revenue			
Oil and gas sales	5	38,132	14,604
Royalties		(4,805)	(2,217)
		33,327	12,387
Expenses			
Production and transportation		(6,410)	(3,692)
General and administration	7	(4,222)	(5,257)
Stock-based compensation	13	(217)	(35)
Depletion, depreciation and amortization	10	(3,762)	(2,091)
Financial instruments	20	(74)	(190)
Foreign currency exchange gain (loss)		347	(112)
		(14,338)	(11,377)
Operating result		**18,989**	**1,010**
Net finance costs	6	(4,715)	(3,188)
Transaction costs		–	(361)
Gain on contractual liabilities		822	–
Result before tax		**15,096**	**(2,539)**
Income tax	8	10,549	(256)
Net result from continuing operations		**25,645**	**(2,795)**
Discontinued operations			
Loss on disposition – Canadian assets	19	–	(54)
Net result for the period		**25,645**	**(2,849)**
Earnings (loss) per share basic			
From continuing and discontinued operations		0.26	(0.03)
Earnings (loss) per share fully diluted			
From continuing and discontinued operations		0.25	(0.03)
Weighted average number of shares:			
Before dilution		97,630,200	86,648,281
After dilution		102,199,428	86,648,281

Consolidated Statement of Comprehensive Earnings (Loss)

For the Financial Year Ended 31 December

(TUSD) except per share amounts	Note	2018	2017
Net result for the period		**25,645**	**(2,849)**
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	2	(6,511)	(621)
Comprehensive result for the period		**19,134**	**(3,470)**
Attributable to:			
Shareholders of the Parent Company		19,134	(3,470)

Consolidated Statement of Financial Position

			Restated (See Note 4)
(TUSD)	**Note**	**2018**	**2017**
ASSETS			
Non-current assets			
Exploration and evaluation assets	9	20,685	17,789
Property, plant and equipment	10	58,834	54,326
Deferred tax assets	8	11,259	–
Performance bonds and others		177	176
Total non-current assets		**90,955**	**72,291**
Current assets			
Financial derivative instruments	20	–	141
Crude oil inventory		57	314
Prepaid expenses and deposits		686	753
Accounts receivable	11	4,368	2,229
Restricted cash	26	2,804	3,037
Cash and cash equivalents	12	20,255	18,729
Total current assets		**28,170**	**25,203**
TOTAL ASSETS		**119,125**	**97,494**
EQUITY AND LIABILITIES			
Equity			
Share capital		120	117
Contributed surplus		63,009	61,073
Other reserves		(7,870)	(1,359)
Retained earnings		14,015	(11,630)
Total equity	13	**69,274**	**48,201**
Liabilities			
Non-current liabilities			
Bonds payable	15	31,180	32,678
Decommissioning provision	16	1,720	1,849
Other long-term liabilities and provisions	3, 17	8,093	7,384
Total non-current liabilities		**40,993**	**41,911**
Current liabilities			
Accounts payable	18	4,029	3,503
Accrued liabilities and other	18	4,829	3,879
Total current liabilities		**8,858**	**7,382**
Total liabilities		**49,851**	**49,293**
TOTAL EQUITY AND LIABILITIES		**119,125**	**97,494**

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December

(TUSD)	Note	2018	2017
Cash flow from operations			
Net result from continuing operations		25,645	(2,795)
Add back:			
Stock based compensation	13	217	35
Depletion, depreciation and amortization	10	3,762	2,091
Accretion of decommissioning provision	16	102	75
Accretion of bonds payable	15	1,052	607
Deferred tax	8	(11,259)	–
Interest expense	6	4,138	2,493
Financial derivative instruments loss	20	139	186
Unrealized foreign exchange amounts		1,797	(142)
Interest received		659	110
Interest paid		(4,043)	(2,153)
Tax paid		(447)	(245)
Changes in working capital	24	(3,419)	(1,556)
Cash flow from operations		**18,343**	**(1,294)**
Investing activities			
Corporate acquisition – Tartaruga	4	–	(290)
Corporate acquisition – Tie Field	4	–	(33,087)
Proceeds on sale of Canadian assets		–	229
Additions to property, plant and equipment	10	(12,767)	(2,113)
Additions of exploration and evaluation assets	9	(2,774)	(615)
Restricted cash		(215)	(3,037)
Purchase of performance bonds		–	(25)
Cash flow from investment activities		**(15,756)**	**(38,938)**
Financing activity activities			
Issue of shares, net of share issue costs	13	–	18,266
Issue of bonds, net of financing costs	15	–	32,625
Exercise of stock options and warrants	13	1,721	–
Cash flow from financing activities		**1,721**	**50,891**
Foreign exchange on cash and cash equivalents		(2,782)	1,312
Change in cash and cash equivalents		1,526	11,971
Cash and cash equivalents, beginning of period		18,729	6,758
Cash and cash equivalents, end of period		**20,255**	**18,729**

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 2017	**87**	**40,567**	**(738)**	**(8,780)**	**31,136**
Comprehensive result					
Result for the period	–	–	–	(2,850)	(2,850)
Currency translation difference	–	–	(621)	–	(621)
Total comprehensive result	**–**	**–**	**(621)**	**(2,850)**	**(3,471)**
Transactions with owners					
Share issuance	32	20,644	–	–	20,676
Share issue cost	–	(2,680)	–	–	(2,680)
Fair market value of warrants issued	–	2,211	–	–	2,211
Reduction of capital	(2)	2	–	–	–
Stock based compensation	–	37	–	–	37
Exercise of warrants	–	3	–	–	3
Exercise of stock options	–	289	–	–	289
Total transactions with owners	**30**	**20,506**	**–**	**–**	**20,536**
Balance at 31 December 2017	**117**	**61,073**	**(1,359)**	**(11,630)**	**48,201**
Comprehensive result					
Result for the period	–	–	–	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**

Parent Company Income Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2018	2017
Revenue		–	–
Expenses			
General and administrative	7	(3,655)	(7,070)
Stock-based compensation		(1,889)	(416)
Financial instruments		(618)	(1,621)
Foreign currency exchange gain (loss)		5,096	(3,951)
Operating result		**(1,066)**	**(13,058)**
Net finance costs	6	(9,022)	(8,513)
Transaction costs		–	(1,846)
Result before tax		(10,088)	(23,417)
Income tax	8	–	–
Result for the period[1]		**(10,088)**	**(23,417)**

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 Statement of Financial Position

(Expressed in thousands of Swedish Krona)	Note	2018	2017
ASSETS			
Non-current assets			
Investment in subsidiaries	30	184,219	183,640
Loans to subsidiaries	31	410,764	408,226
		594,983	**591,866**
Current assets			
Loans to subsidiaries	31	–	22,407
Financial Instruments		–	620
Accounts receivable and other	11	170	230
Restricted cash		50	–
Cash and cash equivalents		138,598	103,294
		138,818	**126,551**
Total Assets		**733,801**	**718,417**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		1,091	1,068
Unrestricted equity			
Contributed surplus		487,374	470,545
Retained earnings		(35,139)	(25,051)
Total unrestricted equity		**452,235**	**445,494**
Total equity		**453,326**	**446,562**
Non-current liabilities			
Bonds Payable	15	276,573	267,423
Current liabilities			
Accounts payable and accrued liabilities	18	3,902	4,432
Total liabilities		**280,475**	**271,855**
Total Equity and Liabilities		**733,801**	**718,417**

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 January 1, 2017	804	288,227	(1,634)	287,397
Share issuance	284	183,111	–	183,395
Share issue costs	–	(23,708)	–	(23,708)
FMV of warrants issued	–	19,610	–	19,610
Reduction in capital	(20)	20	–	–
Stock based compensation	–	416	–	416
Exercise of warrants and stock options	–	2,869	–	2,869
Result for the period	–	–	(23,417)	(23,417)
Balance at December 31, 2017	**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 period	–	–	(10,088)	(10,088)
Balance at December 31, 2018	**1,091**	**487,374**	**(35,139)**	**453,326**

Parent Company Cash Flow Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2018	2017
Cash flow from operations			
Net result		(10,088)	(23,417)
Adjustment for			
Commodity hedges		618	–
Accretion of bonds liability	15	9,150	5,036
Stock based compensation		1,889	416
Interest expense	6	36,000	21,300
Interest income		–	(17,823)
Unrealized foreign exchange		(2,033)	–
Interest paid		(36,000)	(18,000)
Changes in working capital		(470)	269
Total cash flow from operations activities		**(934)**	**(32,219)**
Cash flow from investing			
Restricted cash		(50)	–
Investment in subsidiaries		(579)	–
Loan repayment by subsidiaries	31	105,777	–
Loans to subsidiaries	31	(87,018)	(352,330)
Total cash flow investing activities		**18,130**	**(352,330)**
Cash flow from financing			
Issue of shares, net of share issue costs		–	161,166
Issue of bonds, net of financing costs		–	282,837
Exercise of stock options and warrants, net of issue cost		14,964	–
		14,964	**444,003**
Foreign exchange on cash		3,143	–
Change in cash during the year		**35,303**	**59,454**
Cash, beginning of the year		103,294	43,840
Cash, end of the year		**138,598**	**103,294**

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017. (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 Company sold its Canadian producing assets effective January 1, 2017. The results from the Canadian Assets sale are reported as discontinued operations. The head office was located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden until 31 December 2018. Subsequent to yearend, the new 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 has an office in Rio de Janeiro, Brazil and operations offices in Newcastle, Wyoming, USA and Salvador, Brazil.

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 annual report of Maha 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.

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 judgement".

These Consolidated Financial Statements are stated in thousands of US dollars, unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value.

Changes in Accounting Policies and disclosures

The Company applied IFRS 15 and IFRS 9 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 15, "Revenue from contracts with customers"

Effective January 1, 2018, the Company adopted IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts" and IAS 18, "Revenue" and related Interpretations. IFRS 15 provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Company has reviewed its revenue contracts and has determined that there was no impact on the financial statements with respect to the application of IFRS 15.

The Company principally generates revenue from the sale of oil and gas. Revenue associated with the sale of oil and gas is recognized when control is transferred from the Company to its customers.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Company's oil and gas sales contracts are generally within one month following delivery or payment in advance, if required. The Company does not have any contracts where the period between the transfer of the promised goods and services to the customer and payment by the customer exceed one year. As a result, the Company does not adjust its revenue transactions for the time value of money. Revenue represents the Company's share of oil and gas sales.

The Company enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Group applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

In its modified retrospective adoption of IFRS 15, the Company applied a practical expedient that allows the Company to avoid reconsidering the accounting for any sales contracts that were completed prior to January 1, 2018 and were previously accounted for under its previous revenue accounting policy.

Adoption of IFRS 9, "Financial Instruments"
Effective January 1, 2018, the Company adopted IFRS 9, "Financial Instruments" ("IFRS 9"), which replaced IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") and applied it on a retrospective basis. The application of IFRS 9 has not resulted in any differences between the previous carrying amounts and the carrying amounts at the date of initial application of IFRS 9.

The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below:

Classification and measurement of Financial Assets and Financial Liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company's business model for managing the financial asset.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

Impairment of Financial Assets
IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, the Company's accounts receivable is considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable. ECL allowances have not been recognized for cash and cash equivalents and deposits due to the virtual certainty associated with their collectability. The Company's trade and other receivables are subject to the expected credit loss model under IFRS 9. For the trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Company considered historical industry default rates as well as credit ratings of major customers. There were no material adjustments to the carrying value of any of the Company's financial instruments following the adoption of IFRS 9.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities. The Company has no contract assets or debt investments measured at FVOCI. In addition, the Company had no derivatives that qualified for hedge accounting in 2018.

Financial Instrument	Measurement Category IAS 39	 IFRS 9
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Accounts Receivables	Loans and Receivables	Amortized Cost
Financial derivative instruments	FVTPL	FVTPL
Accounts Payables and Accrued Liabilities	Financial Liabilities Measured at Amortized Costs	Amortized Cost
Bonds Payable	Financial Liabilities Measured at Amortized Costs	Amortized Cost

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.

In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16") to replace IAS 17, "Leases." The new standard requires recognition in the balance sheet for each contract, with some exceptions, that meets the definition of a lease as a right of use asset and lease liability, while lease payments are to be reflected as interest expense and a reduction of lease liability.

Effective from 1 January 2019, the Company has made the following transition choices in relation to IFRS 16:

- Application of the modified retrospective method, whereby the cumulative effect of initially applying the standard will be recognized at the date of initial application, including the election of allowable practical expedients.
- 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.
- 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 financial statements of the Company and identified two contracts containing leases which will result in the recognition of additional lease liabilities and ROU assets of approximately TUSD 427.

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 currency of the parent company, Maha Energy AB, is the Swedish Krona (SEK). The SEK is also the presentation currency of Maha Energy AB in the parent company statements. Management has determined that 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
UP Petroleo Brasil Ltda	BRL
Petro Vista Energy Petroleo do Brasil Ltda	BRL
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 the balance sheet date 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 Statement of Operations. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the balance sheet rate of exchange.

Presentation currency
The Statement of Financial Position and the Statement of Operations of foreign companies are translated for consolidation purposes using the current rate method. All assets and liabilities of the subsidiary companies are translated at the balance sheet date 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 aris-

ing 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, 2018		December 31, 2017	
Currency	Average	Period end	Average	Period end
SEK / USD	8.6997	8.8701	8.5447	8.1836
BRL / USD	3.6517	3.8748	3.1992	3.3080

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 Statement 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
– Help primarily for the purposes of trading
– 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 help primarily for the purpose of trading
– 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. 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 Statement of Financial Position on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

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, accounts receivables and other assets at amortized cost.

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.

Policy Applicable Before January 1, 2018
Prior to the adoption of IFRS 9, "Financial Instruments" ("IFRS 9") on January 1, 2018, the Company classified and measured financial assets under IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). There were three measurement categories into which the Company classified its financial assets:

- FVTPL: Assets were either 'held-for-trading' or had been 'designated at fair value through profit or loss'. The assets were measured at fair value with changes in fair value recognized in net earnings;
- Loans and Receivables: Included assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, these assets were measured at amortized cost at the settlement date using the effective interest rate method of amortization; and
- Available for Sale Financial Assets: Included investments in the equity of private companies that the Company did not have control or had significant influence over. These assets were measured at fair value, with changes in fair value recognized in OCI. When an active market was non-existent, fair value was determined using valuation techniques. When the fair value could not be reliably measured, such assets were carried at cost.

Impairment of Financial Assets
The measurement of impairment of financial assets is based on the expected credit losses model. For the accounts and other receivables, the Company applies the simplified approach which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Company considered historical industry default rates as well as credit ratings of major customers.

For prior years, under IAS 39 at each reporting date, the Company assesses whether there are any indicators that its financial assets are impaired. An impairment loss is only recognized if there is objective evidence of impairment, the loss event has an impact on future cash flows and the loss can be reliably estimated. Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. An impairment loss on a financial asset carried at amortized cost is calculated as the difference between the amortized cost and the present value of the future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed through net earnings in subsequent periods if the amount of the loss decreases.

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 on a first-in, first-out or 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.

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.

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. In the comparative period, revenue from the production of oil and natural gas was recognized when the customer took title and assumed the risks and rewards of ownership, prices were fixed or determinable, the sale was evidenced by a contract and collection of the revenue was reasonably assured.

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 9). 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.

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.

Changes in accounting policies

The amendments to RFR 2 Accounting for Legal Entities that have entered into force for the financial year 2018 have not affected the Parent Company's financial reports. The new standard IFRS 9 Financial Instruments address classification, measurement and recognition of financial assets and liabilities. Maha has conducted an analysis of the effects of IFRS 9, which shows that the new rules provide such immaterial effects that they have not been booked and the new rules thereby have not led to any material conversion effects. This means that the application of IFRS 9 does not affect the opening balance of shareholders' equity for 2018 in the Parent Company, but is equal to the closing balance of shareholders' equity for 2017. Maha applies IFRS 9 retroactively using the practical relief rules specified in the standard, meaning that comparative figures are not recalculated, and that Maha has chosen to apply the simplified method in calculating anticipated credit losses.

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.

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.

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:

Revenue from contracts with customers

When determining if the Company acted as a principal or as an agent in transactions, management determines if the Company obtains control of the product. As part of this assessment, management considered detailed criteria for revenue recognition set out in IFRS 15. In applying the requirements of IFRS 15 to determine the timing and amount of revenue recognition, management must utilize significant judgments and estimates, which include: the nature and type of performance obligations under contract, the timing of when such performance obligations have been satisfied, the amount of any variable consideration associated with a revenue contract and whether such consideration is constrained or not reasonably estimable.

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, meaning that opening impairment for 2018 is equal to closing impairment for 2017.

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. 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 10.

Impairment Indicators and Discount Rate
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.

The recoverable amount of CGUs and individual assets have been determined based on the higher of the value-in use calculations and fair values less costs of disposal ("FVLCD"). These calculations require the use of estimates and assumptions, including the discount rate. It is possible that the commodity price assumptions may change, which may impact the estimated life of the field and economical reserves recoverable and may require an adjustment to the carrying value of developed and producing assets. The Company monitors internal and external indicators of impairment relating to its assets and records adjustments, if necessary, at each reporting period date.

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 and the Company continues to monitor LAK properties currently under development.

Business Combinations
Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and developed and producing assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill purchase price allocation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment, decommissioning provisions or goodwill impairment.

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.

Fair value of financial instrument
Where the fair value of financial assets and liabilities cannot be derived directly from publicly quoted market prices, other valuation techniques such as discounted cash flow models, transactions multiples and the Black and Scholes model are employed. The key judgements include future cash flows, credit risks, volatility and changes in assumptions about these factors can have an impact on the reported fair value of the financial instruments.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 13.

Contingencies
The Company accrues a potential loss if the Company believe 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.

3. Segment Information

The Company operates in Canada, Sweden, Brazil and the United States of America. Operating segments are based on a geographic perspective and reported in a manner consistent with the internal reporting provided to the executive management. The following tables present the operating result for each segment from continuing operations. Revenue and income relate to external (non-intra group) transactions.

(TUSD)	Canada	US	Brazil	Sweden	Other[1]	Consolidated
31 December 2018						
Revenue	–	–	38,132	–		38,132
Royalties	–	–	4,805	–		4,805
Production and operating	–	–	6,410	–		6,410
General and administration	2,147	160	1,423	420	72	4,222
Stock-based compensation	–	–	–	217		217
Depletion, depreciation and amortization	12	45	3,705	–		3,762
Financial derivative instruments	–	–	–	74		74
Foreign currency exchange loss (gain)	43	–	(1)	(361)	(28)	(347)
Operating results	**(2,202)**	**(205)**	**21,790**	**(350)**	**44**	**18,989**
Net finance costs	–	13	533	1,037	4,198	4,715
Gain on contractual liabilities	–	–	(822)	–	–	(822)
Income tax	–	–	(11,893)	–	1,344	(10,549)
Net results	**(2,202)**	**(218)**	**35,038**	**(1,387)**	**(5,586)**	**25,645**

1 *Other represents Luxembourg subsidiaries and intercompany eliminations and consolidation adjustments.*

(TUSD)	Canada	US	Brazil	Sweden	Other[1]	Total
31 December 2017						
Revenue	–	–	14,604	–		14,604
Royalties	–	–	2,217	–		2,217
Production and operating	–	–	3,692	–		3,692
General and administration	2,232	410	1,703	828	84	5,257
Stock-based compensation	(14)	–	–	49		35
Depletion, depreciation and amortization	7	57	2,027	–		2,091
Financial derivative instruments	–	–	–	190		190
Foreign currency exchange loss (gain)	115	–	–	–	(3)	112
Operating results	**(2,340)**	**(467)**	**4,965**	**(1,067)**	**81**	**1,010**
Net finance costs	(68)	13	16	1,014	2,213	3,188
Transaction costs	109	–	36	216	–	361
Income tax	–	–	256	–	–	256
Net results	**(2,381)**	**(480)**	**4,657**	**(2,297)**	**(2,294)**	**(2,795)**

(TUSD)	Assets		Liabilities	
	2018	**2017**	**2018**	**2017**
Brazil	86,484	63,404	19,928	18,974
Sweden	50,349	52,313	31,620	33,220
USA	23,566	19,934	4,493	644
Canada	1,722	541	6,520	4,218
Other	(4,752)	8,102	30,537	39,064
Intercompany balance elimination	(43,247)	(46,800)	(43,247)	(46,800)
Total Assets/Liabilities	**119,125**	**97,494**	**49,851**	**49,293**
Shareholder's equity	–	–	69,274	48,201
Total equity	**–**	**–**	**69,274**	**48,201**
Total consolidated	**119,125**	**97,494**	**119,125**	**97,494**

For detailed information for the oil and gas properties by country, see also Note 9 and Note 10.

All oil and gas revenue, operating expenses and depletion are from the Brazilian operations. The Company had two large customers in 2018 (2017: two) that individually accounted for more than 10 percent of the Company's consolidated gross sales. Total sales to these customers were approximately USD 36.5 million (2017: USD 10.3 million), which are included in the Company's Brazil operating segment. Approximately, 55 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.

1 *Other represents Luxembourg subsidiaries and intercompany eliminations and consolidation adjustments.*

4. Corporate Acquisition

Gran Tierra Acquisition – Brazil Operations

On July 1, 2017, Maha acquired the Brazilian business unit of Gran Tierra Energy Inc. ("Tie Field Acquisition") through the purchase of all of the shares and outstanding intercompany debt of Gran Tierra Finance (Luxembourg) S.Á.R.L., including assumed liabilities involved with the going-concern operations for the total cash consideration of USD 36.5 million and the assumption of approximately USD 11 million in Government Guarantees and Letters of Credit.

The Tie Field Acquisition was accounted for as a business combination in accordance with IFRS 3, Business Combinations, using the acquisition method of accounting whereby identifiable assets acquired and liabilities assumed were recorded at fair value and the results were included with those of Maha from that date. Fair value estimates were made based on significant unobservable (Level 3) inputs and based on the best information available at the time.

At 31 December 2017, the Company's allocation of the purchase price was based on their best estimate of fair value of assets acquired and liabilities assumed. The Company had not yet completed its fair value assessment on the following areas: 1) Upside potential of the Tie field and other exploration blocks held by the Company; 2) The Company's intention to pursue activities in the exploration blocks held subject to the finalization of the assessment of the related upside potential: and 3) Fair value of contingent liabilities acquired. As permitted by IFRS 3, the fair values assessment was ongoing in the measurement period which concluded during the second quarter of 2018.

The table below reflects the final purchase price allocation (PPA) and gives effect to both a fair value adjustment and a correction of an error identified in 2018; details of which are included below:

(TUSD)	
Cash Consideration	**36,520**
Cash	3,432
Accounts receivable	598
Inventory and materials	63
Prepaid and others	195
Property, plant and equipment	45,513
Accounts payable and accrued liabilities	(4,735)
Taxes payable	(184)
Decommissioning provision	(978)
Other long-term liabilities and provisions	(7,384)
Net assets acquired	**36,520**
Cash acquired	**(3,432)**
Consideration, net of cash acquired	**33,088**

During the second quarter of 2018, a measurement period adjustment was made which resulted in changes to the preliminary PPA. The following table summarizes the changes between the preliminary PPA as reported in the Consolidated Notes to the Financial statements for the year ended December 31, 2017 and the final PPA as determined during the measurement period ended July 1, 2018.

(TUSD)	Preliminary purchase price allocation	Fair value adjustment	Correction fair value	Final purchase price allocation
Cash	3,432	–	–	3,432
Accounts receivable	598	–	–	598
Inventory and materials	63	–	–	63
Prepaid and others	195	–	–	195
Property, plant and equipment[1]	38,465	7,048	–	45,513
Accounts payable and accrued liabilities[2]	(5,071)	336	–	(4,735)
Taxes payable	(184)	–	–	(184)
Decommissioning provision	(978)	–	–	(978)
Other long-term liabilities and provisions[3,4]	–	(5,909)	(1,475)	(7,384)
Net assets acquired	**36,520**	**1,475**	**(1,475)**	**36,520**

1 *Property, plant and equipment (PP&E) fair value adjustments resulted mainly from identification of fair value assigned to the probable reserves reflecting the upside potential on the Tie field. Preliminary PP&E fair value assessed at the time of acquisition consisted of discounted cash flows based on proved reserves that existed at acquisition date as an assessment was ongoing on the upside potential of wells acquired. Following further evaluation of existing facility handling capacity and upside potential of probable reserves, fair value was assigned to a portion of the probable reserves that existed at the acquisition date which resulted in the higher fair value of the PP&E acquired.*

2 *Revision of estimates during the measurement period relating to overstatement of certain accrued liabilities.*

3 *Other long-term liabilities and provision fair value adjustment resulted mainly from fair value assignment to certain long-term provisions relating to the minimum work commitments acquired on exploration blocks held by Gran Tierra Energy Inc. The Company's assessment of the upside potential in these blocks was ongoing at December 31, 2017. During 2017, the Company continued fact gathering and studying the blocks to more accurately assign a fair value. During 2018, the upside potential for these blocks was lowered*

given restrictions around the availability of certain technologies and equipment in Brazil and the accessibility to capital for pure exploration plays. As such, the Company has estimated the fair value of the minimum work commitments on a discounted cash flow basis, using an estimate of timing of expected inflation adjusted cash flows discounted. This calculation is subject to measurement uncertainty given the use of judgement about timing of cash flows and the probability assigned to the fulfilment of the commitments in these blocks.

4 *During 2018, the Company identified an error in the calculation used by the prior owner to compute the fair value of labour claims acquired. The known and identified claims did not change. The fair value calculation was adjusted for inflation and interest rate application to July 1, 2017, acquisition date, as is required by Brazilian labour law.*

These fair value adjustments were applied retrospectively in accordance with IFRS 3 and resulted in 2017 Consolidated Balance Sheet being restated as detailed below:

(TUSD)	2017 (previously reported)	Adjustment	2017 (restated)
Property, plant and equipment	47,278	7,048	54,326
Accounts payable and accrued liabilities	7,718	(336)	7,382
Other long-term liabilities and provisions	–	7,384	7,384

The Company did not restate the comparative Consolidated Statement of Operations as the impact on the depletion expense from the restatement of PPE was considered not material. There was no impact on the Consolidated Statement of Cash Flows.

In assessing the fair value of the assets and liabilities acquired, the Company assessed the current and deferred taxes. No deferred tax asset was recorded as it was not considered probable Maha would be able to utilize the assets at the time of acquisition or at year end 2017. The acquired business had a history of generating losses and had not demonstrated profits in past years. In 2018, Maha generated significant income from the Tie Field based on production increases and improved commodity price and expects to be able to utilize the deferred tax assets. See Note 8 for details.

Tartaruga Block Acquisition

In January 2017, Maha completed the purchase of a legal and beneficial interest in an operated 75% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil (the "Tartaruga Acquisition"). The purchase was completed through the acquisition of the shares of UP Petroleo Brasil Ltda ("UPP") and Petro Vista Energy Petroleo Do Brasil Ltda ("PVE"). Total consideration for the Tartaruga Acquisition was TUSD 5,940 and it included loans and deposits paid in 2016 of TUSD 5,590 and an additional deposit of TUSD 350 paid during the first quarter of 2017 of which TUSD 100 was held in escrow pending approval by the Brazilian Government and the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis of Brazil ("ANP") of the transfer of a 7.5% working interest in the Tartaruga field that was to have been consolidated into UPP prior to closing. The approval was granted and the transfer was completed during the first quarter of 2018.

5. 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, 2018, 100% (December 31, 2017: 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)	2018	2017
Crude oil	37,785	14,426
Natural gas	347	178
Total revenue from contracts with customers	**38,132**	**14,604**

The Company had no contract asset or liability balances during the period presented. As at 31 December 31 2018, accounts receivable included USD 3.1 million of accrued sales revenue which related to the fourth quarter of 2018 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.

6. Net Finance Costs

	Group (TUSD)		Parent (TSEK)	
	2018	2017	2018	2017
Interest on bonds payable	4,138	2,493	36,000	21,300
Accretion of bonds payable (Note 15)	1,052	607	9,150	5,036
Accretion of decommissioning provision	102	75	–	–
Foreign currency exchange losses	–	11	–	–
Risk management contracts	66	(4)	–	–
Interest income and other	(643)	6	(36,128)	(17,823)
	4,715	**3,188**	**9,022**	**8,513**

7. General and Administrative Expenses

	Group (TUSD)		Parent (TSEK)	
	2018	2017	2018	2017
Personnel costs	4,789	3,000	1,797	2,656
Rent & office costs	1,073	688	111	436
Insurance	70	646	–	–
Listing costs	55	89	481	763
Costs of external services	570	1,506	903	2,816
Other costs	422	197	363	399
Allocated to Capital and Operating expenses	(2,757)	(869)	–	–
	4,222	**5,257**	**3,655**	**7,070**

8. Income Taxes

	Group (TUSD)		Parent (TSEK)	
	2018	2017	2018	2017
Current	710	256	–	–
Deferred	(11,259)	–	–	–
Total	**(10,549)**	**256**	**–**	**–**

Current taxes are in respect of the Company's operations in Brazil. During 2018, the Company determined that based on results and reserve engineer forecasts there is a reasonable certainty that it will be able to recover previously unrecorded tax assets, associated with the Tie Field and recorded a deferred tax recovery of TUSD 11,259. The deferred tax asset has been recognized in respect of certain tax deductible temporary differences and estimated tax loss carry-forwards of BRL 196 million (USD 50.7 million), which can be used in future years to reduce future taxable income (up to 30% of taxable income of the year) in the Tie Field. The deferred tax asset was recorded at a tax rate of 15.25%, the tax rate applicable for the Tie Field after the consideration of certain enhanced tax credits. At 31 December 2018, there were deferred tax assets of TUSD 8,080 that had not been recognized in the financial statements (2017: TUSD 16,772).

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

	Group (TUSD)		Parent (TSEK)	
	2018	**2017**	**2018**	**2017**
Result before tax	15,096	(2,539)	(10,088)	(23,417)
Applicable tax rate	22%	22%	22%	22%
Expected tax expense (recovery)	3,321	(559)	(2,219)	(5,152)
Effect of different tax rates	(1,772)	(662)	–	–
Non-deductible items	650	88	1,539	766
Recognition of year end deferred tax assets	(11,259)	–	–	–
Changes in unrecognized deferred tax assets	(1,489)	1,389	680	4,369
Income tax expense (recovery)	**(10,549)**	**256**	**–**	**–**
Current	710	256	–	–
Deferred	(11,259)	–	–	–
Total	**(10,549)**	**256**	**–**	**–**

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

Specification of deferred tax assets:

(TUSD)	2018	2017
Unused tax loss carry forwards	7,731	–
Other deductible temporary differences	3,528	–
Deferred tax assets	11,259	–

At December 31, 2018, Maha has unused tax losses of TUSD 97,394 available for offset against future profits (2017: TUSD 106,537). A deferred tax asset was recognized at the end of 2018 in respect of TUSD 50,696 of such tax losses. During 2018, Maha utilized previously unrecognized tax losses of TUSD 3,329 (2017: TUSD 1,173) and other unrecognized temporary differences of TUSD 5,583 (2017: Nil) to reduce current income tax expense. At 31 December 31 2018, Maha had temporary differences of TUSD 32,851 for which no deferred tax asset was recognized (2017: TUSD 90,068).

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

(TUSD)	Loss Carry Forward 2018	Expiry
Sweden	7,243	Indefinite
Brazil	57,760	Indefinite
Canada	2,874	Beginning in 2033
United States	12,352	Beginning in 2033
Luxembourg	17,165	Beginning in 2034
	97,394	

The tax losses in Brazil and Luxembourg primarily relate to corporate acquisitions in 2017 (Note 4). Loss carry forwards in Brazil are limited to a maximum of 30% of taxable income in the year that they are applied. The statutory tax rate in Brazil is 34%; however, the company's Tie Field assets are eligible for certain enhanced tax credits resulting in a tax rate of 15.25%. No deferred tax asset has been recognized in respect of TUSD 46,698 of loss carryforwards not associated with the Tie Field in Brazil as it is presently not probable that there will be future taxable profits available to utilize these losses.

9. Exploration and Evaluation Assets

(TUSD)	
1 January 2017	**17,174**
Additions in the period	954
Incidental income from sale of crude oil	(339)
31 December 2017	**17,789**
Additions in the period	3,154
Asset retirement obligation	121
Incidental income from sale of crude oil	(379)
31 December 31, 2018	**20,685**

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 2018, the LAK Ranch Project had not established both technical feasibility and commercial viability and therefore remains classified as an E&E asset. 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 2018, the Company identified no impairment indicators therefore no impairment test was performed.

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

(TUSD) Cost	Oil and gas properties	Other tangible assets	Total
1 January 2017	**2,935**	**1,663**	**4,598**
Sale of Canadian assets	(2,976)	–	(2,976)
Tartaruga acquisition	7,142	226	7,368
Tie Field acquisition (see Note 3)	45,242	271	45,513
Additions	2,077	64	2,141
Currency translation adjustment	(136)	(73)	(209)
31 December 2017	**54,284**	**2,151**	**56,435**
Additions	16,732	18	16,750
Currency translation adjustment	(8,891)	(108)	(8,999)
31 December 2018	**62,125**	**2,061**	**64,186**
Accumulated depletion and depreciation			
1 January 2017	**(2,111)**	**(174)**	**(2,285)**
Sale of Canadian assets	2,111	–	2,111
Depletion, depreciation and amortization	(1,867)	(136)	(2,003)
Currency translation adjustment	60	8	68
31 December 2017	**(1,807)**	**(302)**	**(2,109)**
Depletion, depreciated and amortization	(3,583)	(146)	(3,729)
Currency translation adjustment	471	15	486
31 December 2018	**(4,919)**	**(433)**	**(5,352)**
Carrying amount			
31 December 2017	52,477	1,849	54,326
31 December 2018	**57,206**	**1,628**	**58,834**

(TUSD)	Canada	US	Brazil	Sweden	Other[1]	Consolidated
Oil and gas properties	–	–	57,206	–	–	57,206
Other tangible assets	24	1,317	287	–	–	1,628
31 December 2018	**24**	**1,317**	**57,493**	**–**	**–**	**58,834**
Oil and gas properties	–	–	52,477	–	–	52,477
Other tangible assets	18	1,361	470	–	–	1,849
31 December 2017	**18**	**1,361**	**57,493**	**–**	**–**	**54,326**

The oil and gas properties relate to the producing oil and gas cost pools in the Brazil segment. Depletion and depreciation amounted to TUSD 3,762 for the year ended 31 December 2018 (2017: TUSD 2,091) and is included with the DD&A costs line in the Consolidated Statement of Operations.

The Company had no impairment indicators therefore no impairment test was performed.

1 *Other represents Luxembourg subsidiaries and intercompany eliminations and consolidation adjustments.*

11. Accounts Receivables

	2018		2017	
	Group (TUSD)	**Parent** (TSEK)	**Group** (TUSD)	**Parent** (TSEK)
Oil and gas sales (Brazil)	3,127	–	1,167	–
Sale of Canadian assets	280	–	425	–
Tax credits and other receivables	961	170	637	230
	4,368	**170**	**2,229**	**230**

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised no loss allowance as the Company has not historically experienced any accounts receivables to be non- recoverable.

12. Cash and Cash Equivalents

(TUSD)	**2018**	**2017**
Cash	16,587	14,506
Short term investment	3,668	4,223
	20,255	**18,729**

13. Share Capital

	Number of Shares by Class			
Shares outstanding	**A**	**B**	**C2**	**Total**
1 January 2017	56,522,199	12,140,795	2,648,000	71,310,994
Conversion of convertible B shares	2,957,174	(2,957,174)	–	–
Exercise of Maha (Canada) options	650,000	–	(650,000)	–
Exercise of warrants	4,000	–	–	4,000
Forfeiture of options	–	–	(300,000)	(300,000)
Issuance of shares	25,838,652	–	–	25,838,652
31 December 2017	**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**

During 2018, a total of 2,074,717 of Maha-A TO warrants were exercised prior to their expiration on January 15, 2018 at the pre-determined strike price of SEK 6.40 per share representing approximately one third of all of the A warrants outstanding. Accordingly, 2,074,717 A Warrants were cancelled and the same number of new shares of class A issued. The remainder of the Maha-A TO warrants are now expired. The total proceeds from this transaction were SEK 13.3 million (approximately TUSD 1.5 million) before issuance costs. The issuance costs of TSEK 332 (TUSD 38) were incurred to mainly register and list the shares.

During 2018, 1,138,687 C2 options were exercised for which same number of Class A shares were registered and issued and remainder of the 509,313 options were cancelled. In addition, 1,073,739 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 31 2018: (see note 34)

	Number of Warrants	Exercise Price
	#	USD
1 January 2017	**6,204,963**	**0.78**
Exercised	(4,000)	0.78
Issued	13,350,000	0.91
31 December 2017	**19,550,963**	**0.87**
Exercised	2,074,717	0.72
Expired	(4,126,246)	0.72
31 December 2018	**13,350,000**	**0.84**

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.

Expiration date	Number of options	Vested	Exercise price	Remaining life
	#	#	USD	Years
December 31, 2020	50,000	50,000	1.25	2.00

The following stock options are outstanding at December 31, 2018:

	Number of Warrants	Exercise Price
	#	USD
1 January 2017	**2,648,000**	**0.70**
Exercised	(650,000)	0.45
Forfeited	(300,000)	1.25
31 December 2017	**1,698,000**	**0.71**
Exercised	(1,138,687)	0.50
Cancelled	(509,313)	0.50
31 December 2018	**50,000**	**1.25**

The cost for the stock options is included as part of stock-based compensation expense. During 2018 options were exercised such that 938,687 Maha Class-A shares were issued and 509,313 options and corresponding Class C2 shares were cancelled.

Warrant Incentive Program

The Company has an incentive program as part of the remuneration package for management and employees. Warrants were issued in second quarter of 2017 and 2018 respectively, following a decision and approval at the respective Annual General Meetings.

			Number of Warrants					
Warrants incentive programme	Exercise period	Exercise price, SEK	1 Jan 2018	Issued 2018	Expired 2018	Exercised 2018	Cancelled 2018	31 Dec 2018
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
Total			**750,000**	**750,000**	**–**	**–**	**–**	**1,500,000**

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:

	2018 Incentive Programme	2017 Incentive programme
Risk free interest rate (%)	(0.17)	(0.4)
Expected term (years)	3.58	3.58
Expected volatility (%)	47	58
Forfeiture rate (%)	5.0	5.0
Weighted average fair value (SEK)	2.88	2.64

Total share-based compensation expense for 2018 was TUSD 217 (2017: TUSD 35).

14. 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.

	2018	2017
Net result attributable to shareholders of the Parent Company (TUSD)		
From continuing operations	25,645	(2,795)
From discontinued operations	–	(54)
	25,645	**(2,849)**
Weighted average number of shares for the year	97,630,200	86,648,281
Earnings per share, USD		
From continuing and discontinued operations	0.26	(0.03)
	0.26	**(0.03)**
Weighted average diluted number of shares for the year	102,199,428	86,648,281
Earnings per share fully diluted, USD		
From continuing and discontinued operations	0.25	(0.03)
	0.25	**(0.03)**

15. Bond Payable

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 "Warrants") for gross proceeds of SEK 300 million (TUSD 34,505). The net proceeds from the Bonds issue were primarily used for the purpose of completing the acquisition of Gran Tierra Energy Inc.'s Brazilian business. 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 13).

For 2018 Maha recognized TUSD 4,138 of interest and TUSD 1,052 of accretion related to the Bonds.

	TUSD	TSEK
Balance at 31 December 2016	**–**	**–**
Net Bonds at date of issue	30,209	262,387
Accretion of Bonds liability	607	5,036
Effect of currency translation	1,862	–
31 December 2017	**32,678**	**267,423**
Accretion of Bonds liability	1,052	9,150
Effect of currency translation	(2,550)	–
31 December 2018	**31,180**	**276,573**

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 2018 the Company was in compliance with all of the terms of the Bonds.

16. 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 2017	**829**
Liability on assets acquired through acquisition	1,179
Liability on Canadian assets sold	(265)
Change in estimate	40
Accretion expense	75
Foreign exchange movement	(9)
31 December 31 2017	**1,849**
Accretion expense	102
Additions	121
Foreign exchange movement	(352)
31 December 2018	**1,720**

The total undiscounted amount of estimated future cash flows required to settle the obligations at 31 December 2018 was approximately TUSD 3,022 (2017: TUSD 3,305). In calculating the present value of the decommissioning provision for the Brazil assets, an inflation rate of 4.0 percent (2017: 4.0 percent) and a discount rate of 9.0 percent (2017: 9.0 percent) was used, which represents an estimated rate for Brazil's long term government treasury bonds for a period of 23 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 2.4 percent (2017: 2.5 percent) and a discount rate of 2.6 percent (2017: 2.5 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 2018, approximately 100 percent of the total amount of Brazil and LAK assets provision is expected to be settled after more than 20 years

17. Other long-term Liabilities and Provisions

(TUSD)	2018	2017
Labour and contractors claims provision	3,048	1,475
Minimum work commitments provision	5,045	5,909
	8,093	**7,384**

18. Accounts Payable and Accrued Liabilities

	Group (TUSD)		**Parent** (TSEK)	
	2018	**2017**	**2018**	**2017**
Trade payable	3,017	2,970	58	1,132
Accrued liabilities	4,829	3,498	544	–
Interest payable	372	403	3,300	3,300
Taxes payable (see Note 8)	640	511	–	–
	8,858	**7,382**	**3,902**	**4,432**

19. Discontinued Operations

In February 2017, Maha sold its interest in the Manitou and Marwayne properties (the "Canadian Assets") for a total of CAD 1.65 million. The consideration was payable in two parts: (a) cash payments totaling CAD 750,000 to be paid over 9 months commencing March 15, 2017 and (b) the balance by convertible Debenture granted by the purchaser, maturing December 1, 2023 (the "Debenture"). In 2018, a new payment schedule was agreed upon whereby Maha will receive monthly payments beginning March 2019.

20. Financial Assets and Liabilities

The accounting policies for financial instruments have been applied to the line items below:

31 December 2018 (TUSD)	**Total**	**Financial assets at amortized cost**	**Fair value recognized in profit or loss**
Performance Bonds	177	177	–
Accounts receivable	4,368	4,368	–
Restricted cash	2,804	2,804	–
Cash and cash equivalents	20,255	20,255	–
Financial assets	**27,604**	**27,604**	**–**

31 December 2018 (TUSD)	**Total**	**Financial liabilities at amortized cost**	**Fair value recognized in profit or loss**
Bonds payable	31,180	31,180	–
Other non-current liabilities	8,093	8,093	–
Accounts payable	4,703	4,703	–
Accrued liabilities	4,829	4,829	–
Financial liabilities	**48,805**	**48,805**	**–**

31 December 2017 (TUSD)	Total	Financial assets at amortized cost	Fair value recognized in profit or loss
Performance Bonds	176	176	–
Derivative instruments	141	–	141
Accounts receivable	2,229	2,229	–
Restricted cash	3,037	3,037	–
Cash and cash equivalents	18,729	18,729	–
Financial assets	**24,312**	**24,171**	**141**

31 December 2017 (TUSD)	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss
Bonds payable	32,678	32,678	–
Other non-current liabilities	7,384	7,384	–
Accounts payable	3,442	3,442	–
Accrued liabilities	3,879	3,879	–
Financial liabilities	**47,383**	**47,383**	**–**

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.

Based on this hierarchy, financial instruments measured at fair value can be detailed as follows:

(TUSD)			
31 December 2018	**Level 1**	**Level 2**	**Level 3**
Derivative instruments – current	–	–	–
Bonds Liability	–	31,180	–
31 December 2017			
Derivative instruments – current	–	141	–
Bonds Liability	–	32,678	–

The outstanding derivative instruments can be specified as follows:

(TUSD)	2018	2017
Brent crude oil sales price derivatives	–	76
Foreign currency option	–	65
	–	**141**

Prices sourced from observable data or market corroboration refers to the fair value of contracts valued in part using active quotes and in part using observable, market-corroborated data.

The bonds are carried at amortized cost. The estimated fair values of the bonds have been determined based on period-end trading prices of the bonds on the secondary market (Level 2). As at 31 December 2018, the carrying value of the Bonds was TUSD 31,180 and the fair value was TUSD 35,850 (2017: carrying value TUSD 32,678; fair value: TUSD 34,162).

21. 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:

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

	At 1 January 2017	Cash Flows	Value allocated to warrants	Amortization of deferred financing fees	Foreign exchange Loss	At 31 December 2017
Bonds Payable	–	32,625	(2,415)	607	1,861	32,678

22. 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 2018.

	Average Rate 2018	10% USD weakening	10% USD strengthening
Net result in the financial statements, TUSD		25,645	
SEK/USD	8.6997	7.8297	9.5697
Total effect on net result, TUSD		**-604**	**496**
BRL/USD	3.6517	3.2865	4.0169
Total effect on net result, TUSD		**4,737**	**(2,481)**

The net foreign currency exchange gain for the year amounted to TUSD 347 (TUSD -112). 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 exposure 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 2018, TUSD 832 from Dax Oil were included in accounts receivables.

As at 31 December 2018, the Company's trade receivables amounted to TUSD 3,127 (TUSD 1,167). There is no recent history of default and there are no expected losses. Other short-term receivables are considered recoverable and no provision for bad debt was accounted for as at 31 December 2018. 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 15).

The Company has current assets of USD 28.2 million as at 31 December 2018 and positive cashflow which is considered sufficient to settle the current liabilities of USD 8.9 million as at 31 December 2018. However, 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
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**	**–**
2017				
Accounts Payable and accrued liabilities	7,382	7,382	–	–
Other Long-term liabilities	7,384	–	669	6,715
Bonds payable	32,678	–	–	32,678
	47,444	**7382**	**669**	**39,393**

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 15) therefore is not exposed to interest rate risk.

e) Price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Company's control. 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 2018, 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. The Company has not designated its risk management contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all risk management contracts to be economic hedges. As a result, 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 statement of comprehensive income. Risk management amounts recognized were as follows:

	2018	2017
Loss on crude oil contracts	74	190

There were no outstanding commodity contracts as at 31 December 2018.

The table below summaries the effect that a change in the oil and gas prices would have had on the net result and equity at 31 December 2018:

Net result from continuing operations in the financial statements, TUSD	25,645	25,645
Possible shift	-10%	+10%
Total effect on net result from continuing operations, TUSD	**(3,362)**	**3,362**

23. 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. The Company considers its capital structure to include working capital and shareholders' equity. At 31 December 2018, the Company's net working capital surplus was USD 19.3 million (December 31, 2017: USD 17.8), which includes USD 20.3 million (December 31, 2017: USD 18.7 million) of cash and USD 2.8 million (December 31, 2017: 3.0 million) of restricted cash. The restricted cash relates to cash posted in Brazil to guarantee letters of credit for certain work commitments and support of abandonment guarantees. The Company does not have any other restricted cash balances as at 31 December 2018.

The Company may adjust its capital structure by issuing new equity or debt and adjusting its capital expenditure program, as allowed pursuant to contracted work commitments. The Company considers its capital structure at this time to include shareholders' equity of USD 69.3 million (December 31, 2017: USD 48.2 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.

24. Changes in Non-cash Working Capital

(TUSD)	2018	2017
Change in:		
Accounts receivable	(2,797)	(911)
Crude oil inventory	232	(52)
Prepaid expenses and deposits	67	(656)
Accounts payable and accrued liabilities	(921)	63
	(3,419)	**(1,556)**

25. Pledged Assets

As at 31 December 31 2018, 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 2018 amounted to SEK 184.2 million (2017: SEK 184.6 million) representing the carrying value of the pledge over the shares of subsidiaries (Note 30). The combined net asset value for the Group of the subsidiaries whose shares are pledged amounted to USD 69.3 million (2017: USD 89.2 million).

The Company also granted a charge over a bank account in Brazil to guarantee certain financial instruments in relation to its work commitments (Note 26).

26. Commitments and Contingencies

The Company currently has 7 concession agreements with the National Agency of Petroleum, Natural Gas and Biofuels in Brazil (ANP). While certain of these concession agreements have outstanding work commitments of USD 8.6 million (BRL 33.3 million) a number of these are either suspended pending environmental licensing or under force majeure. These work commitments have been recorded as long-term provisions and are guaranteed with certain credit instruments in place of approximately USD 4.9 million. In addition, the Company has a USD 2.8 million term deposit to guarantee certain work commitments of USD 3.7 million. This term deposit has been presented as restricted cash on the Statement of Financial Position. For further details on the long-term provision see Note 17.

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 Brazil 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 an unfavourable outcome is not probable. Based on this analysis, no amount was accounted for as a contingent loss.

27. Related Party Transactions

Kvalitena AB has an ownership in terms of voting rights of 21.8% 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 had no transactions with Kvalitena during 2018. During 2017, Kvalitena had obtained guarantee payments of SEK 3.6 million in connection with the guaranteed shares issuance.

28. Average Number of Employees

	Canada	United States	Brazil	Company
Employees (2018)	8	7	31	46
(of which men)	6	7	24	37
Employees (2017)	7	4	25	36
(of which men)	5	4	19	28

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.

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

(TUSD)	2018		2017	
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	86	5	63	20
Subsidiaries abroad				
Canada	1,666	25	979	20
USA	336	33	350	41
Luxembourg	7	1	3	–
Brazil	2,591	453	1,369	434
Total	**4,686**	**517**	**2,764**	**515**

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 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**

1 *Other benefits include health insurance 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.*

(TUSD)	Board Fee / Base salary	Other benefits[1]	Short-term variable remuneration	Remuneration for Committee work	Option Based Award	Total 2017
Parent Company in Sweden Board members						
Jonas Lindvall[2]	–	–	–	–	–	–
Wayne Thomson	31	–	–	–	–	31
Anders Ehrenblad	16	–	–	–	–	16
Harald Pousette	16	–	–	–	–	16
Total	**63**	**–**	**–**	**–**	**–**	**63**
Subsidiaries abroad Management						
Jonas Lindvall	300	6	–	–	–	306
Other	421	6	–	–	51	478
Total Management	**721**	**12**	**–**	**–**	**51**	**784**

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 (Canada) had 50,000 stock options outstanding under its legacy stock-based incentive plan and 1,500,000 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 and 2018. During 2018 additional 750,000 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:

Warrants incentive programme	Exercise period	Exercise price, SEK	Number of Warrants 1 Jan 2018	Issued 2018	Expired 2018	Exercised 2018	Cancelled 2018	31 Dec 2018
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
Total			**750,000**	**750,000**	**–**	**–**	**–**	**1,500,000**

Terms and conditions for the issue of warrants

1. The Company shall issue not more than 750,000 warrants. Each warrant entitles to subscription of one (1) new Share, each with a quotient value of SEK 0.011.
2. The warrants may, with deviation from the shareholders' preferential rights, only be subscribed for by Maha Energy Inc. (the "Subsidiary"), a subsidiary of the Company, after which the Subsidiary is to transfer the warrants to the Participants in accordance with the resolution adopted by the general meeting and instructions from the board of directors of the Company.

1 *Other benefits include health insurance for the management.*

2 *Jonas Lindvall was not compensated in the capacity as a Board member.*

3. Subscription of warrants shall be made by the Subsidiary on a subscription list following the general meeting's issue resolution. The board of directors of the Company shall be entitled to prolong the subscription period.
4. The warrants shall be issued without consideration (i.e. free of charge) to the Subsidiary.
5. Each warrant entitles the warrant holder to subscribe for one new share in the Company at a subscription price per share corresponding to 100 percent of the volume weighted average last closing price for the Company's share on Nasdaq First North during the period stated in the warrants agreement. The subscription price thus calculated shall be rounded off to the nearest whole SEK 0.10, whereupon SEK 0.5 shall be rounded upwards. The subscription price may never be below the quotient value of the shares.

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

Option Plan

Maha (Canada) uses the fair value method of accounting for stock options granted to directors, officers, consultants and employees whereby the fair value of all stock options granted is recorded as a charge to operations.

The stock option plan allowed Maha (Canada) to grant stock options in Class A shares of Maha Energy AB, at exercise prices equal to or close to market price at the time of grant. All of the options had, at grant, a four to five-year term. All options granted in 2013 and 2014 have been vested. The options granted in 2016 vest as follows: one-third of the options vest one year after the grant date; one-third vest two years after the grant date; and one-third vest three years after the grant date. Options granted in 2014 and 2015 were exercised or expired during the year.

30. Shares in Subsidiaries – Parent Company

Subsidiary	Registration number	Registered office	Share (%)	2018 (SEK)	2017 (SEK)
Maha Energy Inc.	2017256518	Calgary, Alberta, Canada	100	183,539,886	183,539,886
Maha Energy I (Brazil) AB	559058-0907	Stockholm, Sweden	100	620,000	50,000
Maha Energy II (Brazil) AB	559058-0899	Stockholm, Sweden	100	50,000	50,000
Maha Energy Finance (Luxembourg) S.A.R.L	B163089	Grand Duchy, Luxembourg	100	1	1
Mana Energy Services LLC	2018-002241022	Newcastle, Wyoming, USA	100	9,078	–
				184,218,965	**183,639,887**

Participation in Subsidiaries (TSEK)	**2018**	**2017**
Opening value	183,640	183,640
Acquisition	9	–
Disposition	–	–
Paid shareholders' contribution	570	–
	184,219	**183,640**

The Tie Field Acquisition was 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.

31. Loans to subsidiaries – Parent Company

Subsidiary (TSEK)	**2018**	**2017**
Maha Energy Inc.	52,277	32,059
Maha Energy (US) Inc.	29,293	–
Maha Energy I (Brazil) AB	61,759	62,329
Maha Energy II (Brazil) AB	630	630
Maha Energy Finance (Luxembourg) S.A.R.L	265,773	334,353
Maha Energy Brazco (Brazco) S.A.R.L	–	230
Maha Energy Brasil Ltda.	1,032	1,032
	410,764	**408,226**

Loans to subsidiaries (TSEK)	**2018**	**2017**
Opening value	430,633	60,480
New lending to subsidiaries	85,908	53,463
Loan repayment by subsidiaries	(105,777)	–
Loan receivable acquired from GTE	–	316,690
	410,764	**430,633**
Loans to subsidiaries – current	–	22,407
Loans to subsidiaries – long term	410,764	408,226

32. Auditor's Fees

	Group (TUSD)		**Parent** (TSEK)	
	2018	**2017**	**2018**	**2017**
Deloitte				
Audit assignment	209	251	475	460
Audit related	5	66	23	293
Tax advisory services	94	169	–	131
Other services	11	14	45	19
Other auditors				
Audit assignment	–	43	–	–
	319	**543**	**543**	**903**

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.

33. 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 452,234,932 including the net result for the year of SEK (10,088,311) be brought forward as follows:

(SEK)	
Dividend	–
Carried forward	452,234,932
Total	**452,234,932**

34. Subsequent Events

Subsequent to the yearend, a total of 1,000,857 of Maha-A TO2 warrants were exercised at the pre-determined strike price of SEK 7.45 per share. Accordingly, 1,000,857 A Warrants were cancelled and the same number of new shares of class A issued. The total proceeds from this transaction were SEK 7.4 million.

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)	2018	2017
Revenue	38,132	14,604
Operating Netback	26,917	8,695
EBITDA	22,404	3,213
Net result	25,645	(2,849)
Cash Flow from operations	18,343	(1,294)

Capital structure	2018	2017
Return on equity (%)	37	-6
Equity ratio (%)	58	49
Net debt (TUSD)	10,925	13,949

Other	2018	2017
Weighted number of shares (before dilution)	97,630,200	86,648,281
Weighted number of shares (after dilution)	102,199,428	86,648,281
Earnings per share before dilution, USD	0.26	(0.03)
Earnings per share after dilution, USD	0.25	(0.03)
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.

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)	2018	2017
Revenue	38,132	14,604
Royalties	(4,805)	(2,217)
Operating Expenses	(5,468)	(3,069)
Transportation costs	(942)	(623)
Operating netback	**26,917**	**8,695**

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)	2018	2017
Operating results	18,989	1,010
Depletion, depreciation and amortization	3,762	2,091
Foreign currency exchange loss / (gain)	(347)	112
EBITDA in TUSD	**22,404**	**3,213**

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

Net Interest-Bearing Debt (TUSD)	2018	2017
Bonds payable	31,180	32,678
Less:		
Cash and cash equivalents	(20,255)	(18,729)
Net Interest-Bearing Debt	**10,925**	**13,949**

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 2019

Wayne Thomson,
Chairman of the Board

Anders Ehrenblad,
Director

Harald Pousette,
Director

Karl Jonas Lindvall,
Managing Director

Our audit report was submitted on 30 April 2019

Deloitte AB

Signature on the Swedish original

Fredrik Jonsson
Authorized public accountant

Auditor's Report

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

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 2018-01-01 – 2018-12-31 except for the corporate governance report on pages 31–34. The annual accounts and consolidated accounts of the company are included on pages 26–73 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 2018 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 2018 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 report on pages 31–34.

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 the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors 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 38.1 million as of 2018 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 5 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 tracking several sales transactions to delivery slips and reviewing volume reconciliations with customers 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

In 2017, the Company acquired oil and gas assets in Brazil through the acquisition of 100% of the common shares of the entities that held the rights for total consideration of USD 42.5 million. These transactions were accounted for as a business combination under IFRS. The majority of the consideration was related to the value of the oil and gas properties. In 2018, the Company has adjusted the purchase price allocation related to the Gran Tierra acquisition to reflect events and circumstances incurred before the closure of the acquisition affecting the value of the oil and gas assets and the related provisions. The Company's disclosures on the acquisitions and adjustments to the purchase price allocation are included in Note 4.

As of December 31, 2018, the oil and gas assets represent the majority of the assets in the balance sheet in the group. Oil and gas assets are comprised of oil and gas properties (USD 57.2 million) and exploration and evaluation assets (USD 20.7 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.

We focus on the valuation of oil and gas assets due to the complexities involved with fair value assessments and significant management judgment and estimates, such as the determination of indicators of impairment, future cash flows and discount rate.

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, 2018 and corroborated their assumptions that no impairment indicator existed.
- We obtained and reviewed management's assessment of the adjusted purchase price allocation and reviewed the input data and the calculations for the adjustment to be made in accordance with IFRS 3 Business combinations.
- Valuation specialists participated in the design of audit procedures.
- Review of 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 1–25. 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 intend to liquidate the company, to cease operations, or have 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 parent company and group audit committee 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 parent company and group audit committee 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 parent company and group audit committee, we describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2018-01-01 – 2018-12-31 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 31—34 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing 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 Swedish Annual Accounts Act.

Deloitte AB, was appointed auditor of Maha Energy AB by the general meeting of the shareholders on 30 May 2018 and has been the company's auditor since 22 April 2016.

Stockholm, 30 April 2019
Deloitte AB

Signature on the Swedish original

Fredrik Jonsson
Authorized Public Accountant

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