MAHA ENERGY AB
Annual Report 2020

MAHA ENERGY

Contents

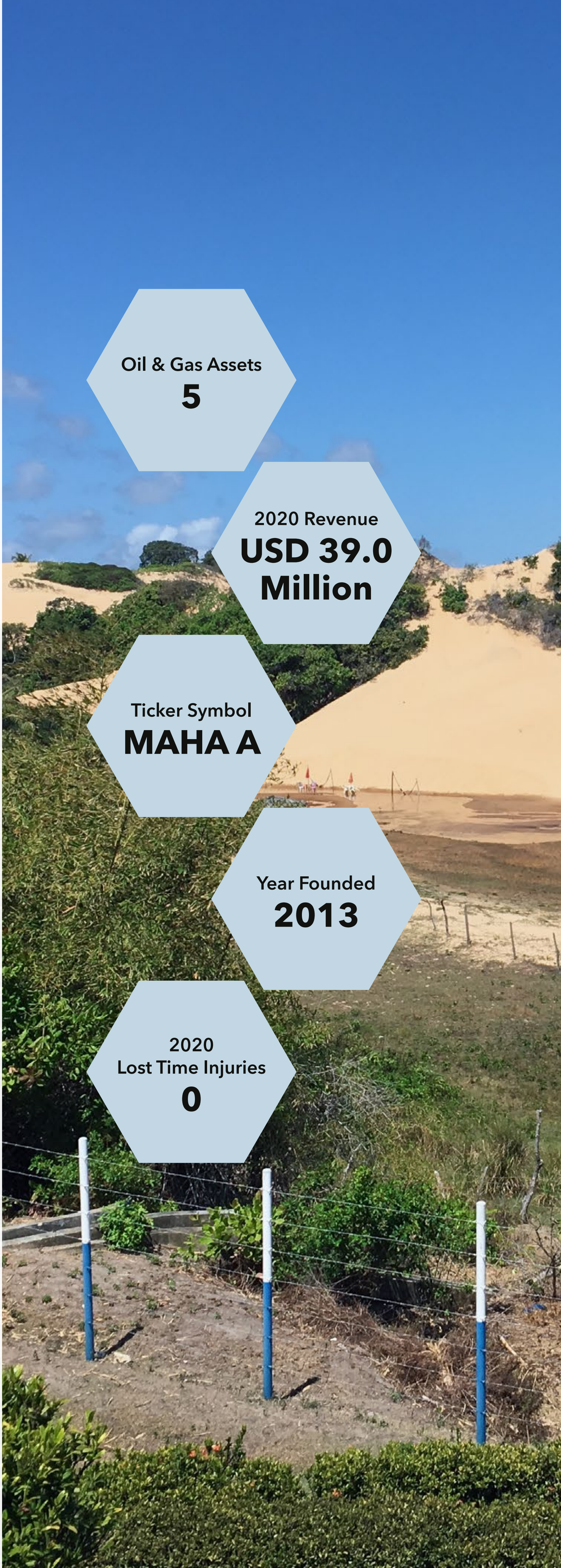
Information regarding AGM

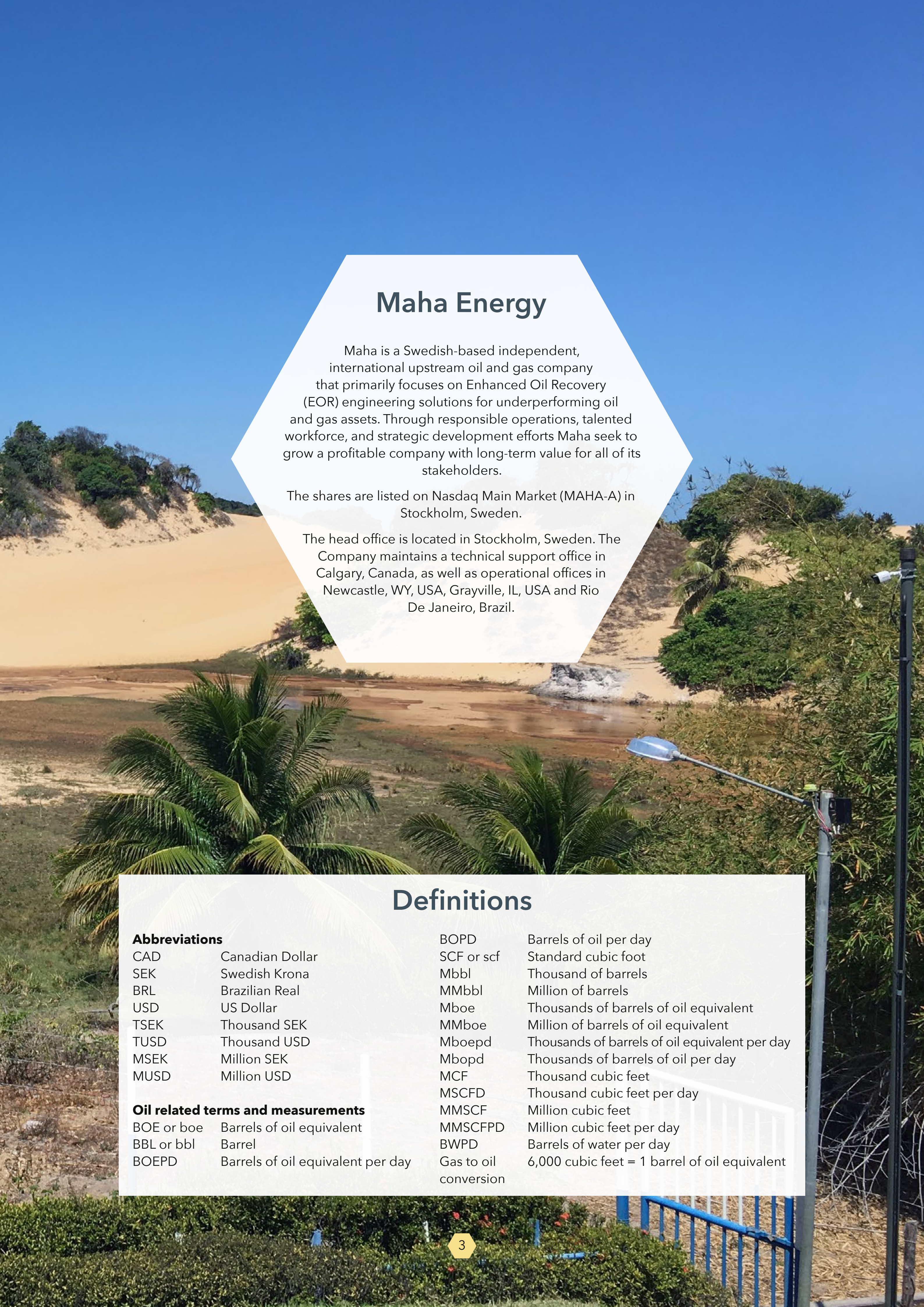
The Annual General Meeting of shareholders of Maha Energy AB (publ.) will be held on Thursday, May 27, 2021, 3:00p.m. The Annual General Meeting will be held through postal voting only. The notice and the complete proposals of the Board of Directors will be available at www.mahaenergy.ca. To be entitled to participate, shareholders must be included in the register of shareholders maintained by Euroclear Sweden AB, in their own names, as of Wednesday, May 19, 2021 and must notify Maha Energy AB of their attendance by casting their postal vote no later than Wednesday, May 26, 2021. Shareholders who have their shares registered in the name of a nominee must request temporary entry in the transcription of the share register kept by Euroclear Sweden AB (so-called voting rights registration) in order to be entitled to participate and vote for their shares at the meeting through postal voting. The shareholder must inform the nominee well in advance of Wednesday, May 19, 2021, at which time the register entry must have been made. Voting rights registration that has been requested by the shareholder at such time that the registration has been completed by the nominee no later than Friday, May 21, 2021, will, however, be taken into account in the preparation of the share register. A shareholder represented by proxy shall issue a power of attorney which shall be dated and signed by the shareholder, which shall be enclosed to the postal vote.

Corporate Calendar

The Company plan to publish its Quarterly Reports as follows for 2021:

- Quarter 1 – Three Month Report 2021: 26 May, 2021
- Quarter 2 – Six Month Report 2021: 23 August, 2021
- Quarter 3 – Nine Month Report 2021: 22 November, 2021
- Quarter 4 – Year End Report 2021: 27 February, 2022





Maha Energy

Maha is a Swedish-based independent, international upstream oil and gas company that primarily focuses on Enhanced Oil Recovery (EOR) engineering solutions for underperforming oil and gas assets. Through responsible operations, talented workforce, and strategic development efforts Maha seek to grow a profitable company with long-term value for all of its stakeholders.

The shares are listed on Nasdaq Main Market (MAHA-A) in Stockholm, Sweden.

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

Definitions

Abbreviations

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

Oil related terms and measurements

BOE or boe	Barrels of oil equivalent
BBL or bbl	Barrel
BOEPD	Barrels of oil equivalent per day
BOPD	Barrels of oil per day
SCF or scf	Standard cubic foot
Mbbl	Thousand of barrels
MMbbl	Million of barrels
Mboe	Thousands of barrels of oil equivalent
MMboe	Million of barrels of oil equivalent
Mboepd	Thousands of barrels of oil equivalent per day
Mbopd	Thousands of barrels of oil per day
MCF	Thousand cubic feet
MSCFD	Thousand cubic feet per day
MMSCF	Million cubic feet
MMSCFPD	Million cubic feet per day
BWPD	Barrels of water per day
Gas to oil conversion	6,000 cubic feet = 1 barrel of oil equivalent

Maha Energy Highlights

2020 – The Year in 5 minutes!

Record Production – 3,301 BOEPD Annual Average

Despite having to adjust the 2020 production guidance because of the impact of COVID-19, Maha set yet another production record in its' short history. December 31, 2020 exit production was 4,113 BOEPD.

NASDAQ Main Market

On December 17th, 2020 Maha Energy completed the journey from Nasdaq First North Growth Market to Nasdaq's main market in Stockholm. Maha is currently classified as a small cap company on the main market in Stockholm. Maha trades under the same ticker symbol MAHA A and same ISIN code SE0008374383. This accomplishment opens new avenues for Maha to engage with stakeholders and to continue fulfill and further develop the corporate strategy in creating long-term value.

Diversification Strategy Completed

A key Company strategy is to be diversified jurisdictionally across at least three areas in order to address geopolitical and financial risks. By entering Oman at the end of 2020, the Company now operates five separate assets in 3 separate geographical areas. The 'three-legged stool' strategy is completed.

Illinois Asset Acquisition

In March 2020 Maha acquired the ultra-low-risk, light oil, Illinois Basin producing asset. Located on the southern Illinois and Indiana border, this asset has solid growth potential with upward of 100 potential future drilling locations. Coupled with predictable and stable operating costs, further development of this asset is a strategically important step that will make significant and reliable long term contributions to Maha's overall growth as an energy producer.

Mafraq (Block 70) Asset Award

Mafraq, Block 70, is an onshore block located in the middle of the prolific oil producing Ghaba Salt Basin in the central part of Oman. The Block covers an area of 639 km² and includes the shallow (< 500 m deep) appraised and undeveloped Mafraq heavy oil field. In addition to providing the Company with Contingent Resources of (2C) 22.3 million barrels and an oil development project, it contains a plethora of possible and highly prospective exploration targets.

Counter-Cyclical and Contrarian Tactics

By enjoying a strong balance sheet and enthusiastic shareholder support the Company continued its opportunistic growth strategy during 2020. Both Illinois Basin and Block 70 are testaments to acquiring solid oil assets in distressed market situations. The Illinois Basin, for example, was acquired for USD 4.25 million in cash whilst the Net Present Value for the proved producing reserves were pegged at USD 7.2 million.[1]

Over a Million Barrels Produced

Even with the year's unparalleled global challenges, Maha produced over 1,200,000 BOE's during 2020 and continued to be a profitable Company (USD Net Result of USD 10 million[2]). This is a truly remarkable achievement, given the historic economic downturn. At the cash generating Tie field in Brazil, two 1370 hP compressors were installed to provide incremental field pressure support, cleaner sales gas and no gas flaring.

Incorporation of ESG

As Maha continues to grow, the visibility of Environmental, Social, and Governance (ESG) factors increasingly become more important to the corporate strategy. Not only do stakeholder interest in ESG play an important role in the success of the business, but Maha understands that ESG risks and opportunities may also lead to material and financial impacts. Whilst ESG principles are firmly rooted in the Company's history, particularly when it comes to Health, Safety and the Environment, 2020 marked the beginning of public ESG reporting.

ESG Highlights

9,350
Safety Awareness Man Hours

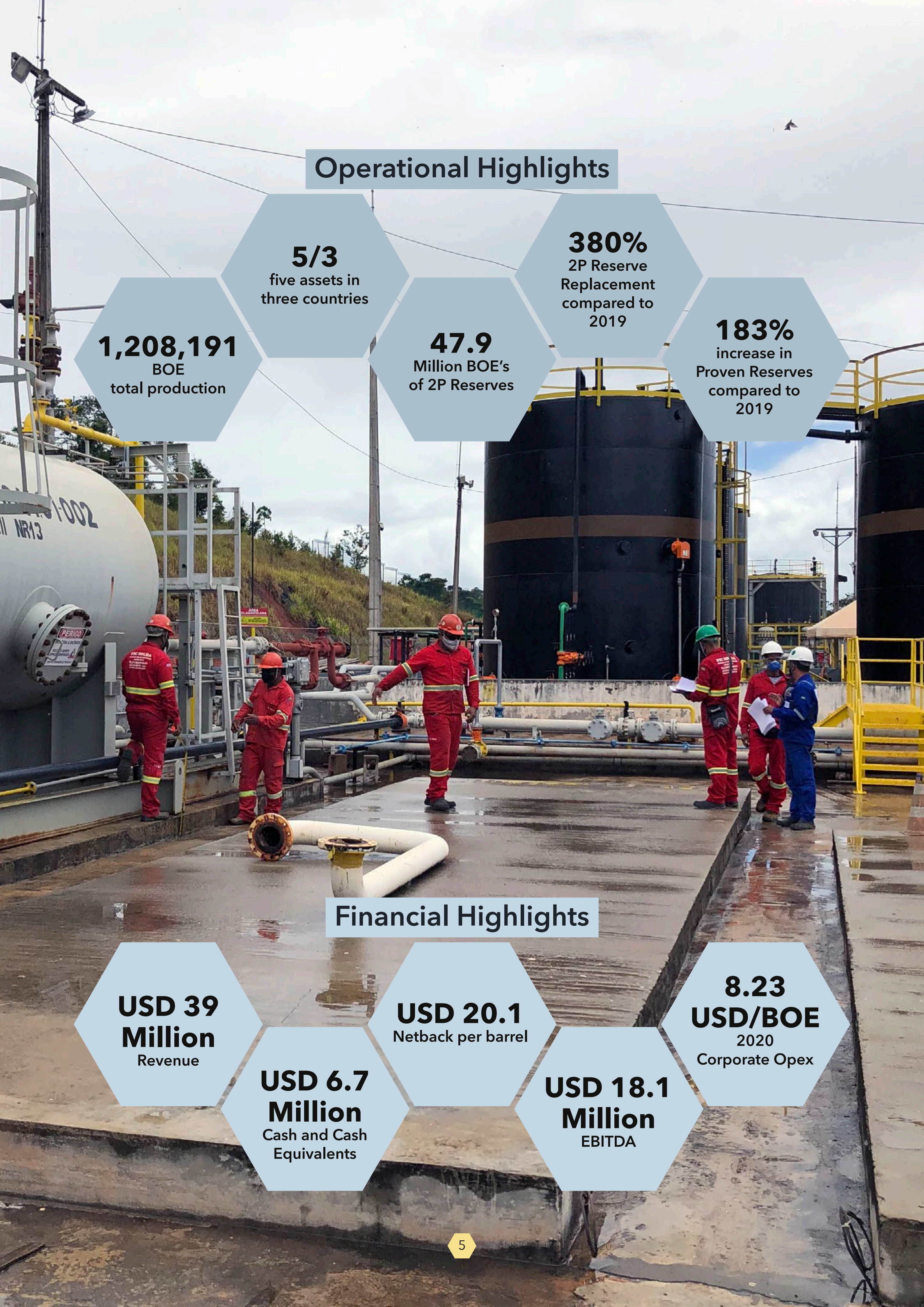
28%
women in leadership positions[3]

0
Non-Environmental Compliance Issues

1 According to 2019 Year End PetroTech Reserve Report

2 Corrected for USD 21 million non-cash impairment of the LAK Ranch Heavy Oil Field in Wyoming, See Note 9.

3 Senior Management



Operational Highlights

1,208,191
BOE
total production

5/3
five assets in
three countries

47.9
Million BOE's
of 2P Reserves

380%
2P Reserve
Replacement
compared to
2019

183%
increase in
Proven Reserves
compared to
2019

Financial Highlights

USD 39 Million
Revenue

USD 6.7 Million
Cash and Cash
Equivalents

USD 20.1
Netback per barrel

USD 18.1 Million
EBITDA

8.23 USD/BOE
2020
Corporate Opex


PERIGO
PROIBIDO
FUMAR
SOLVENTES
MAHA
ENERGY BRASIL

COVID–19

Early 2020 marked the start of the global COVID–19 Pandemic. The outbreak of the novel strain of coronavirus, COVID–19, created a global public-health crisis that has resulted in widespread human suffering, as well as volatility and deterioration in business, economic, and market conditions. The pandemic and subsequent governmental responses had and continue to have direct impact on the global economy and business market. Government and regulatory bodies in affected areas, including areas where the Company conducts its operations, have imposed a number of measures designed to contain the outbreak, including widespread business closures, travel restrictions, and quarantines.

Maha was impacted directly from COVID–19 at three levels:

1. The oil price declined – resulting in less revenue for the Company
2. Borders were closed – resulting in restricted movement of personnel, goods and services.
3. The Company registered thirty-seven COVID positive cases between March '20 to March '21. Thirty-three have completely recovered, four are still in isolation recovering.

Due to unprecedented challenges of 2020, Maha took swift action to protect its people, operations, financial well-being, and to preserve long-term value for its stakeholders. Throughout the evolving situation, Maha, together with the world, adapted to new norms. Maha has been dynamic and decisive in its business strategy and successfully adjusted to the changing global and local situations. Connecting with contractors and suppliers to ensure continuity of operations, while more importantly keeping everyone safe, has been part of Maha's COVID–19 response. Other actions taken were the suspension of pre-commercial production at LAK Ranch and the delayed planned expansions the production handling capabilities at the Tartaruga Field.

Maha also increased its Information Technology (IT) support to allow for personnel to work from home. Cybersecurity measures were enhanced and implemented to protect remote work.

Maha took tangible action to protect employees, contractors and the business from the impact of COVID–19. At all times, Maha exceeded all local and international guidelines to protect and safeguard all employees and contractors working at Maha installations and offices. Increased sanitation stations, amended work procedures, as well as social distance working protocols have been implemented at Maha facilities and offices. Maha greatly encourages increased hygiene practices amongst employees and have minimized work-related travel to prevent the spread of the virus.

Maha's COVID-19 Response:

- Replaced in-person meetings with virtual meetings (including the Company's 2020 Annual General Meeting)
- Hand sanitizing stations have been provided throughout offices and facilities
- Personnel are encouraged to wash their hands on a regular basis
- Personnel are required to wear masks in public spaces
- Social distance measures have been implemented at the offices and facilities
- Personnel have worked from home
- Limit the occupancy of public spaces and board rooms
- Limited work-related travels
- Health checks prior to entering the facilities, including COVID–19 Rapid Tests
- Increased sanitation protocols and modified safety protocols for passenger transportation
- No personnel are to enter the offices if sick or family member is sick unless COVID–19 negative test is confirmed
- All personnel must follow the local COVID–19 regulations and laws

Safety has always been, and continues to be, a key priority at Maha. Recognizing for Maha's operations to be successful, its employees and contractors must have a safe working environment.

Letter to Shareholders

Dear Friends and Fellow Shareholders of Maha Energy

The year 2020 will be remembered as the year of the COVID–19 Pandemic. The Company registered thirty-seven COVID positive cases between March '20 to March '21. Thirty-three have completely recovered, four are still in isolation and, thankfully, no deaths were recorded for the year. In addition to border closures and travel restrictions, COVID also caused a year of depressed oil prices. The Brent benchmark oil price closed the year at an average of USD 41.96/bbl – a price not seen since 2004. The West Texas Intermediate (WTI) benchmark oil price actually went negative for the first time ever on April 20, 2020. To say that 2020 was a challenging year is probably an understatement.

Despite a very tough year, Maha added two more assets to its portfolio, migrated from the First North Growth Market to the Main Board in Stockholm, completed a financing, and continued to grow production.

Of particular importance is the recently completed financing. BTG Pactual is one of the leading investment banks in Brazil and as Brazil's economy continues to recover and grow, and the state interest rates decline, alternative investment opportunities are rapidly becoming popular with Brazil's expanding middle class. Having BTG Pactual as a financing partner and a shareholder will assist the Company further growth in Brazil. The financing will allow Maha to redeem the 2017 SEK 300 million bond ahead of schedule. It will also provide important capital for the Company to grow and add value faster. The funds will be used to drill horizontal wells in Brazil to further boost production, and to fast track the exciting Block 70 Mafraq field into production in Oman.

At the end of 2020, the Company completed the migration onto Stockholm's Nasdaq Main Board. This is an important step that will allow the Company access to institutional investors in the future. It also provides a 'quality stamp' on the Company that will help in future negotiations.

At the Company's Tie oil producing field, all upgrades to the facility were finished during the year, and although it was decided to postpone drilling operations at the beginning of the year to observe how the pandemic would unfold, production is now on the increase again. The last quarter of the year experienced multiple temporary setbacks that were eventually resolved towards the middle of December. Since then, production has been stable and the work crews have been busy with the drilling and completion of the Tie-3 well which discovered a new oil-bearing reservoir – the Itaparica. Whilst it is too early to assign any significant volumes to this reservoir, measured pressure values in the reservoir confirm it is a separate and independent reservoir to the existing oil producing Agua Grande and Sergi reservoirs. The Itaparica will be flow tested thoroughly before placing it on production. This is a very exciting development that have our Geologists working overtime to establish how extensive this new reservoir might be.

Maha-1 ('TTG-3') was finally tested at Tartaruga. A lot of valuable data has now been obtained from the four zones that were tested and this allows the Company to better refine the development plan for Tartaruga. To that extent, initial focus will be placed on the southern fault block where there are two wells currently producing. The plan is to drill two horizontal wells into the Penedo sandstone in the near future. TTG-3 is currently hooked up to the Tartaruga production facilities, where the well is undergoing long-term testing operations in an attempt to ascertain where the high water cut originates from.

Over in the Illinois Basin ('IB'), plans are underway to continue low-risk development drilling. The IB field contains three separate and independent stacked reservoirs that have been penetrated by many thousands of wellbores in the area. Stratigraphic control is robust and drilling is cheap. Although a small part of the Company's portfolio, the IB field constitutes low risk but meaningful returns at current oil prices. The Company will grow production in IB by drilling more wells this year.

In Oman, a field visit to the undeveloped Mafraq field discovered two previously tested wells with Christmas trees still attached. Being temporarily suspended rather than permanently abandoned, these wells present near future re-entry opportunities. Seismic interpretation is already complete and a drilling team has been assembled to start work on the ground as soon as COVID restrictions are eased. As soon as practicable, tangible equipment will be purchased for an initial drilling campaign that will appraise for the as yet undefined oil water contact. Thereafter, a series of multi-lateral horizontal wells will be drilled and placed on test production. A temporary test production facility will be constructed and it is anticipated that the test oil will be trucked to a nearby gathering station for further export.

During the listing process, Maha initiated its first Sustainability Report which is published in conjunction with this Annual Report. We are pleased to have formally commenced tracking our corporate ESG objectives. Research has shown that ESG compliant Companies perform better than non-compliant companies. To that end we have commenced adopting the GRI and SASB ESG reporting frameworks. Maha will also observe the United Nations Sustainable Development Goals (UNSDG). To find out more about these initiatives, please read Maha's sustainability principles at www.mahaenergy.ca.

As you have read, there is a whole lot going on at Maha! The jurisdictional diversification is now completed and Maha has close to 70 million barrels of 2P and 2C barrels lined up for exploitation.

In 2017 we secured SEK 300 million to quadruple production from approximately 1,000 BOEPD to over 4,000 BOEPD. Now, 4 years later, and with the new financing in place, the race is on to increase production again.

To conclude, I want to thank all our hardworking employees for their unwavering dedication and support. We have so many wonderfully talented people working for us and there are too many examples of employees going above and beyond during this extremely tough year to mention. To all of my fellow Mahans: Thank you!

And to all fellow shareholders and friends of Maha – thank you for your continued support.

Jonas Lindvall
Managing Director

Oil and Gas Industry

History of Oil

The modern onset of oil, or hydrocarbons, began in the small town of Titusville, Pennsylvania, USA in 1859. The new 'black gold' replaced whale oil to illuminate darkness. Soon, new uses for the oil were developed and with the onset of the internal combustion engine, demand for oil increased.

Demand

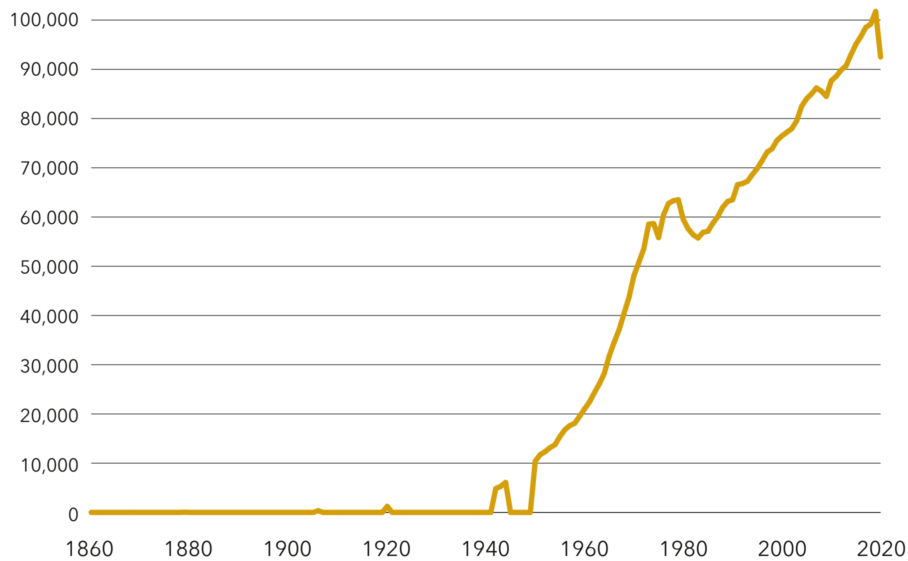
The chart on the next page demonstrates global oil production since 1860. Data pre-World War II is somewhat unreliable, but the general trend is illustrated very well in this chart. Up until 1970, the demand for oil grew exponentially but the first oil crisis in 1973 impacted the trend. Then the graph shows the prolonged oil recession, which was triggered by high oil prices post 1979 Iranian Revolution and the inflation pressures in the early eighties. Since 1984 demand has been almost linear with time, growing roughly 1.3%–1.5% annually. The 2008/09 US housing crises can be seen on the chart along with the very significant oil demand dip during 2020.

Oil demand is heavily dependent on population growth and societal development. Most of the oil is used for transportation. Demand for gasoline and diesel has declined slightly in OECD countries recently, mainly due to stable population growth, more fuel efficient engines and investments into public transport. Large growth areas for oil usage remain in Asia, Middle East and South America.

As at the end of 2019, the world consumed around 100 million barrels of oil per day. Usage of the oil was split as follows:

- 45% on gasoline (transportation)
- 20% Diesel (heavy transportation) and fuel oil
- 18% Petrochemical and Distillates
- 8% Aviation
- 9% Other

Annual Oil Production (KBOPD)



80.3%
of global energy supply in 2019 was derived from fossil fuels

30%
increase in use of fossil fuels between 2000 and 2019

51%
increase in the production of crude oil between 2000 and 2019

Oil Price

Oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges 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 price is highly dependent on its current and expected future supply and demand. As such, it is influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization. OPEC (Organization of Petroleum Exporting Countries) is a permanent intergovernmental organization of 13 oil exporting nations. OPEC was founded in September 1960 by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela at the Baghdad Conference. The OPEC objective is to coordinate and unify petroleum policies among the Member Countries to secure fair and stable petroleum prices.[1]

Influences on Oil Price

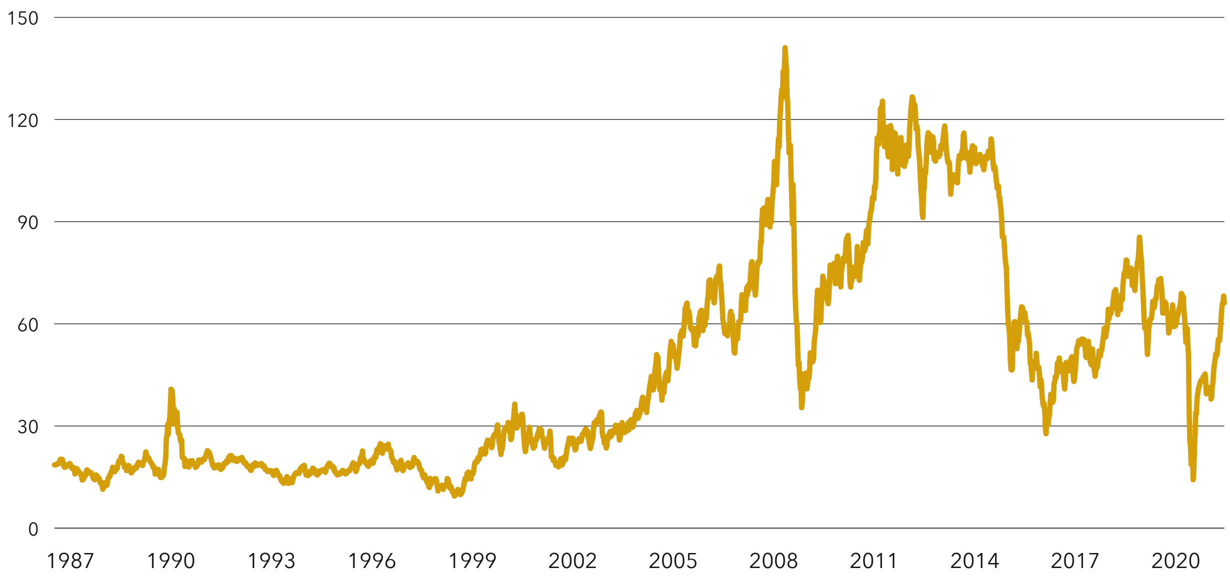
- Price dependant on supply and demand
- Economic indicators (like travel, economic growth, etc.), material economic events and geopolitical events influence price
- Market sentiment – the overall attitude of investors towards particular security or financial market
- OPEC plays a role in oil price

Oil Price Updates

- Brent Crude Oil spot prices averaged USD 62 per barrel in February (up USD 8/bbl from January average and up USD 7/bbl from February 2020).[2]
- On April 20th, 2020 West Texas Intermediate oil prices dipped to USD -37.63 for the first time in history. As at March 24th 2021, the WTI has recovered to USD 61.18.[3]

The below graph shows the historical development in the price of crude oil from May 1987 to Mars 2021.

Weekly Europe Brent Spot Price FOB (Dollars per Barrel)



1 *OPEC: Brief History (www.opec.org)*
2 *U.S. Energy Information Administration: Short-Term Energy Outlook (www.eia.gov)*
3 *Crude Oil Price Today (markets.businessinsider.com)*

Oil Price Indicators

Economic indicators are used in attempts to understand the underlying fundamentals of a market. Specific economic indicators oil traders use focus on the information pertaining to the petroleum industry – like the inventories and production levels of crude oil. As the world recovers from the 2020 COVID-19 Pandemic and the governmental responses ease lock-downs and restrictions, the demand/consumption for energy in transport, production, and services start to recover gradually.[4]

Pre-Pandemic Trends

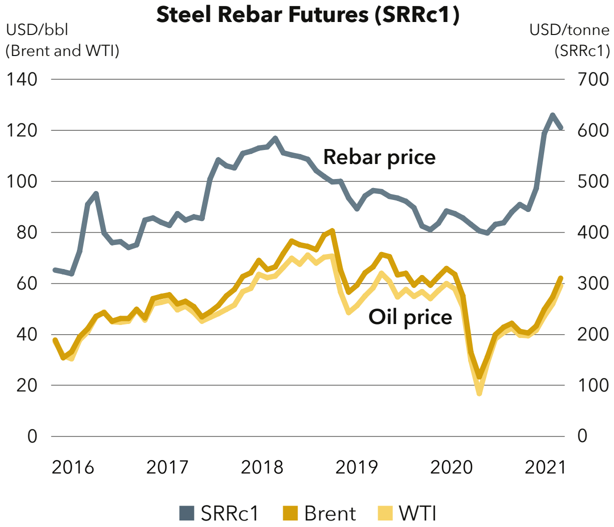
- Global energy consumption increased by 42% between Year 2000 and 2019. During the same period, fossil fuel consumption increased by 30%.
- Fossil fuels provided over 80% of the global energy demand (incl. transportation).

Pandemic and Post Pandemic Trends

- Global oil demand drop by 9% to 92.2 million barrels of crude per day and other liquid fuels in 2020.[5]
- World oil demand is set to grow by 5.4 million barrels of oil per day in 2021 to reach 96.4 million barrels of oil per day, recovering around 60% of the volume lost to the pandemic in 2020.[6]

Oil consumption and demand is closely related to population growth and the Gross Domestic Product (or work output). There are reasonable correlations between iron price and oil price.

Steel Rebar Futures (SRRc1)



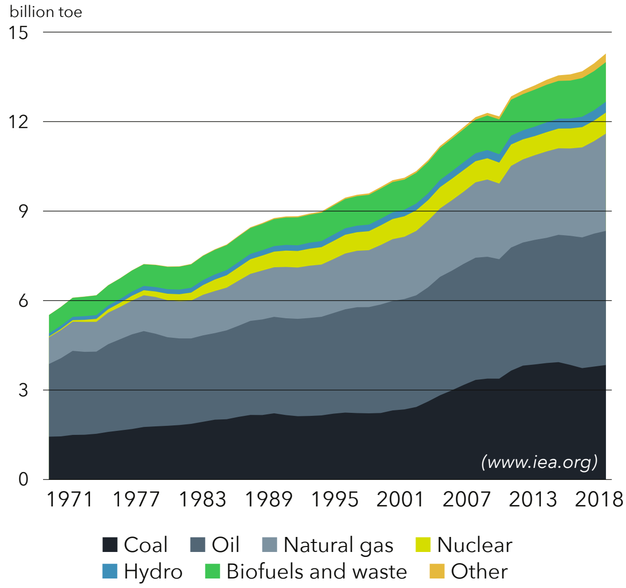
4 *Impacts of COVID-19 on energy demand and consumption (www.sciencedirect.com)*

5 *EIA estimates that global petroleum liquids consumption dropped 9% in 2020 (www.eia.gov)*

6 *Oil Market Report – February 2021 (www.iea.org)*

7 *Global Energy Demand – an overview (www.sciencedirect.com)*

World total energy supply by source, 1971–2018



Future of Oil

Oil and gas will continue to play an important role in the energy mix. While energy diversification towards renewable energy seems to be in the forefront of today's energy conversation, oil and gas continue to play an important role in today's energy mix. The global energy demand has been growing exponentially and hydrocarbons have contributed significantly to the electrification of societies.[7] Prior to the 2020 COVID-19 Pandemic, the consumption of fossil fuels trended positively and fossil fuels accounted for over 80% of the global energy demand. Reflective of the increasing demand for oil and gas are the oil prices that are steadily increasing and stabilizing post the historic downturn during the 2020 Pandemic.

The 2020 Pandemic impacted the world on many levels with strict national and local lock-downs, cancellation of flights, restricted movement of people, goods and services, office closures and layoffs. Consequences of these actions have impacted local, regional, and global economies and markets – including the oil and gas market. However, these are temporary measures that will have temporary global impacts. As the vaccine roll out continues and the world recovers from both the human suffering and the economic volatility, markets will begin to stabilize and grow. The demand and availability for goods and services will return to the market place and the economic laws of supply and demand will equilibrate. As the need for global goods and services increases, so will the need for efficient energy – like oil and gas.

Maha Strategy and Goals

The Company is engaged in upstream exploration, development and production of oil and natural gas in existing and underperforming hydrocarbon assets. The upstream sector can be broken down into three parts: Exploration, Appraisal & Development, and Production. The Exploration phase is considered the riskiest, but is a necessary part for the business to grow organically. Appraisal and Development refers to commencing the monetizing of the discovered oil and gas assets. A proactive and decisive approach has been taken by Maha in its corporate strategy. Maha's solid backbone is composed of four key strategies that can move with Maha's plans and visions: 1. **Enhance Oil Recovery** through applying state of the art engineering technologies, 2. Asset classification and **Risk & Reward Pyramid**, 3. **Sector Growth Cycle**, and 4. **The "Three Legged Stool"**.

1 Enhanced Oil Recovery Technologies

Maha specializes in extracting incremental oil and gas from existing and previously discovered and (sometimes) produced oil and gas fields through the use of state-of-the-art Enhanced Oil and gas Recovery technologies. The focus of the Company is more of an engineering-based production and exploitation company than the traditional exploration and production company. The assembled team of industry sub-surface experts with individual expertise has built a solid foundation of production assets and an objective to grow through petroleum engineering and near field exploration technologies.

2 Risk & Reward Pyramid

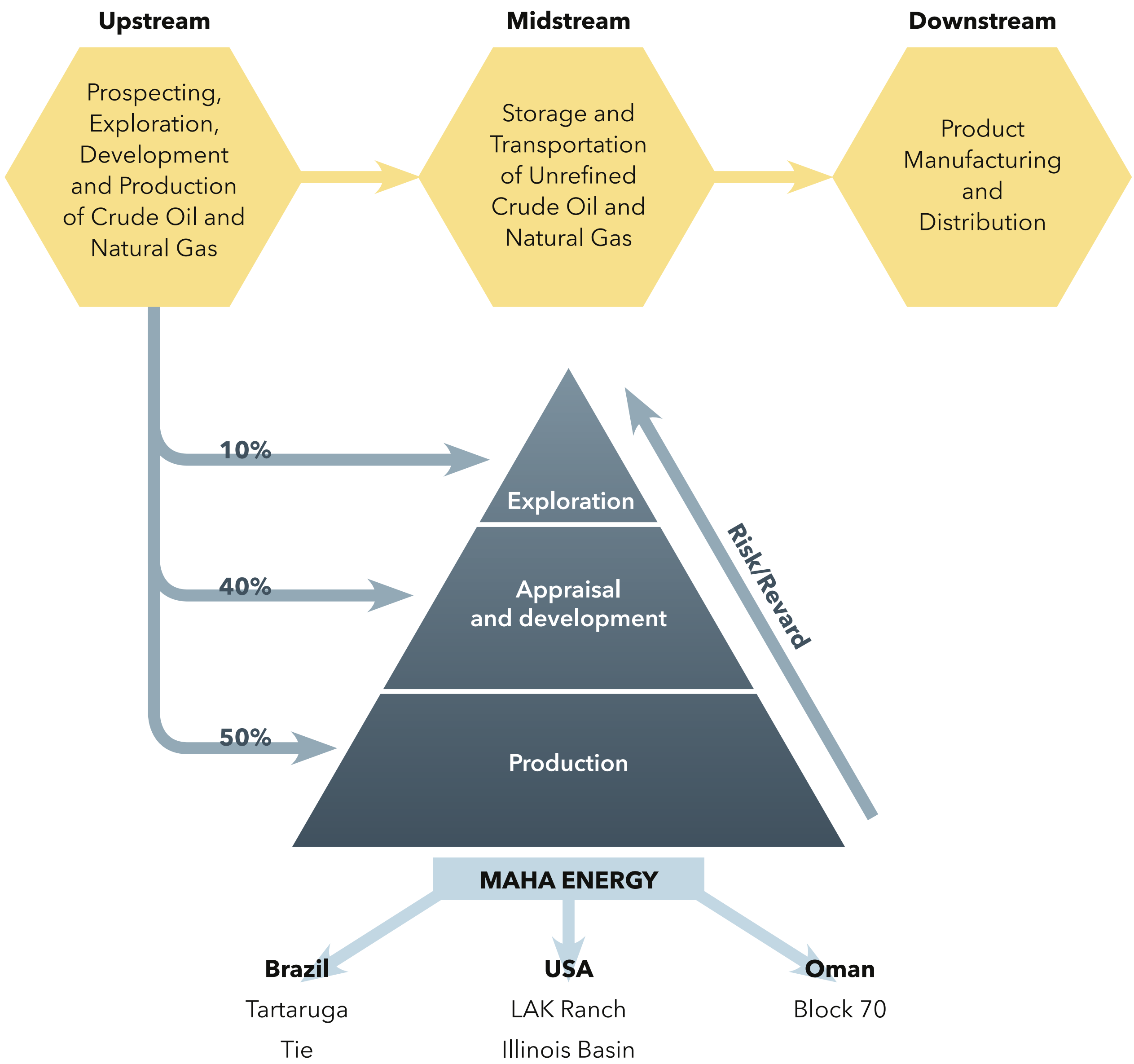
Maha's strategy is to maintain a healthy balance of all three sub segments in the upstream oil and gas sector, as shown in the Company's 50:40:10 asset strategy pyramid. This means the Company strives for at least 50% of its' production to be low risk, cash yielding production assets, and that 40% of assets should be of some risk to consummate further production. Then Maha limits its near field exploration to approximately 10% of its asset portfolio and only use internally generated funds for exploration efforts.

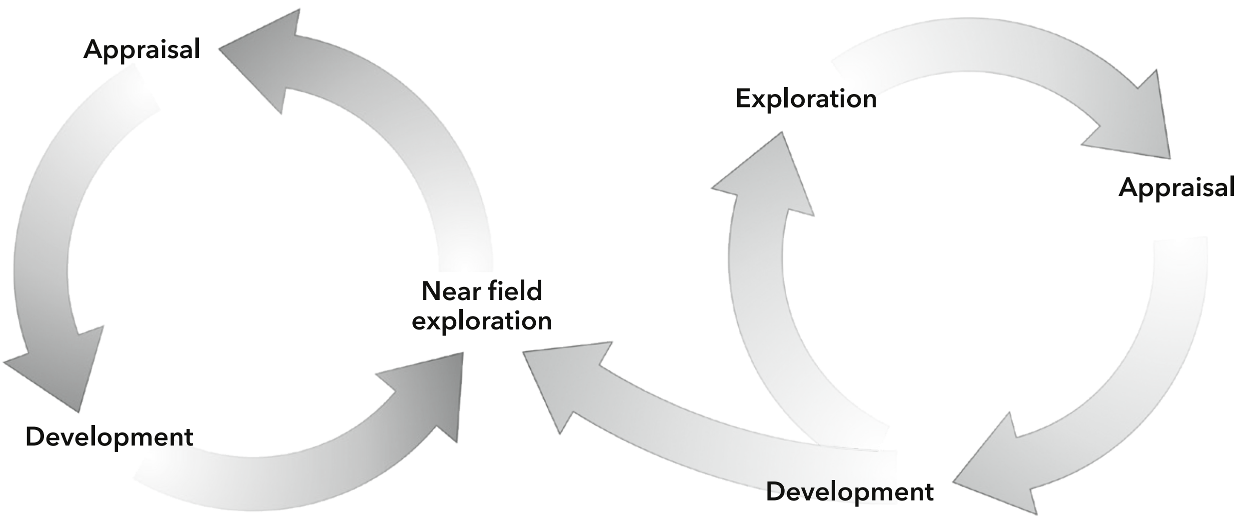
3 Upstream Development Cycle

The Upstream Development Cycle is based on using internally generated funds from production operations to explore for more oil and gas. External funding for exploratory activities are not generally used.

4 "Three Legged Stool"

The 'three legged stool' strategy is centered on value, jurisdictional diversification and stable production opportunities. All opportunities evaluated by the Maha team is centered on a value per barrel basis. Many companies "chase" volumes (barrels), whilst Maha focuses on the value per barrel. Focus is on producing profitable barrels rather than large volumes of unprofitable barrels. In order to diversify political, regulatory and financial risks, the Company's vision is to produce oil from at least three independent political jurisdictions. The Company has called this two-folded strategy the "Three Legged Stool" – each leg representing an independent jurisdiction. 2020 marks the first year in the Company's short history where this strategy has been achieved. The Company has assembled five outstanding assets in 3 different and independent jurisdictions.

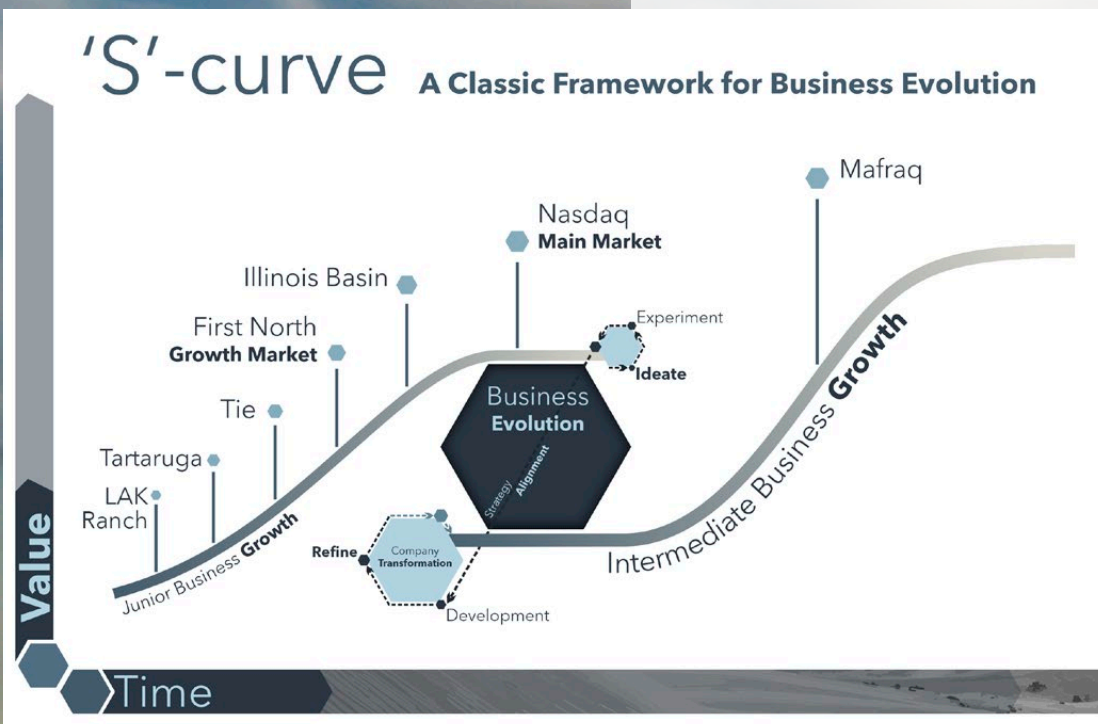

Upstream
Prospecting, Exploration, Development and Production of Crude Oil and Natural Gas
Midstream
Storage and Transportation of Unrefined Crude Oil and Natural Gas
Downstream
Product Manufacturing and Distribution
10%
40%
50%
Exploration
Appraisal and development
Production
Risk/Revard
MAHA ENERGY
Brazil
Tartaruga
Tie
USA
LAK Ranch
Illinois Basin
Oman
Block 70


Appraisal
Development
Near field exploration
Exploration
Appraisal
Development

Maha Strategy and Goals

The Company's production goal is to grow from a small junior independent production company to a healthy mid-size independent oil company with significant production volumes. Maha's business activities and operations has grown and matured mirroring the classic 'S'-growth curve for business framework. The economic business growth concept, also known as the Sigmoidal Curve of business (or the S-Curve), predicts/demonstrates the business growth over its lifetime. Every business starts the S-Curve model at the bottom with slow growth rates, or in some cases, even negative growth rates – as the business begin to monetise their products and services to the market. As time progresses the growth of the business accelerates as consumers recognize and welcomes the product. This marks the steepest part of the 'S' curve, and rapid expansion usually follows. Then, as diminishing returns from the assets begins, the growth tapers off at the top of the 'S'. At this point, the Company must transition to the next 'S' curve in order to further grow the Company. Maha is at that transition point. The addition of Mafraq and Illinois Basin along with the organic growth at Tartaruga, Maha is perfectly positioned to make the leap for the next growth phase.

Maha has quadrupled its production since 2017 – and the idea is to increase it again over the next 4 years.



2
new quality assets acquired in 2020

1
new jurisdiction added to Maha's portfolio

Focus on Company Growth
Maha focuses on expanding its activities and fostering organic growth through exploitation opportunities. By investing in state-of-art technology, Maha maximizes the development and expansion of the Company from within.

Why Illinois?
Illinois Basin is a low risk fully delineated area where growth is achieved through very low risk infill drilling opportunities. The Company has identified over 100 infill drilling locations on its' lands.

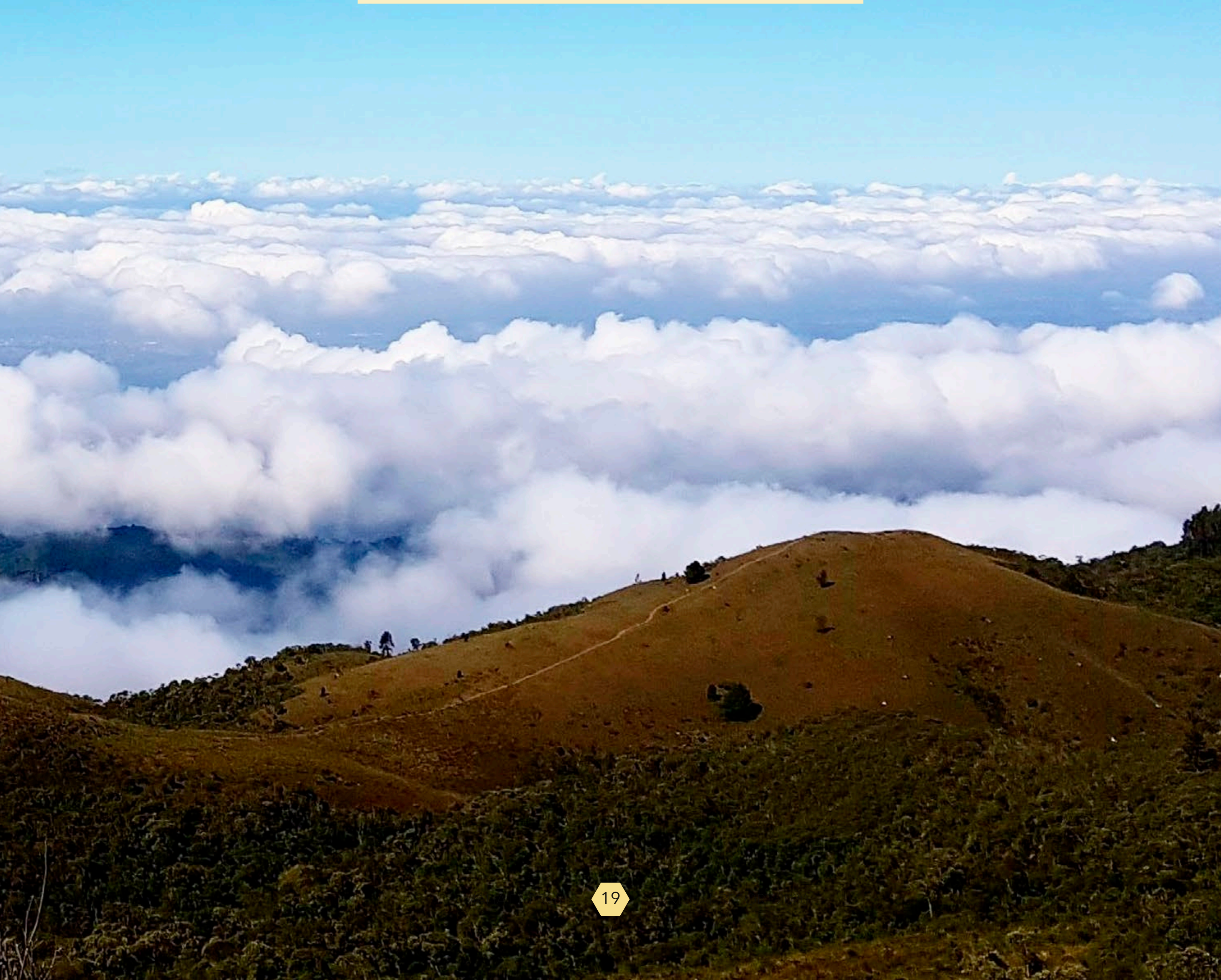
Why Oman?
Oman fulfills the Company's 'three legged stool' strategy and marks the third leg for the Company. Block 70 contains the fully appraised and tested but undeveloped Mafraq oil field.

8.7%
increase in yearend BOE production compared to 2019

26%
increase in number of employees since 2019

157%
increase in Proven Oil Reserves since 2019

Although the COVID–19 Pandemic continues to evolve, the positive news on vaccine development, approval and the subsequent roll out are relieving some pressure, uncertainties, and allowing for economic recovery to begin. Despite 2020 being a challenging year for Maha, the Company used the ensuing Pandemic economic downturn to complete the ‘Three Legged Stool” strategy by adding two new assets to its’ portfolio. Maha is now optimally placed catapult its value as oil prices recover. Over the past four years, Maha has quadrupled its’ production and along with its’ Brazilian assets and Oman and Illinois Basin, the Company is now positioned to quadruple it again. The goal to continues to always operate the assets in a safe and efficient manner, which not only provides the vital advantage of budget control, but also allows for a robust delivery of quality products and value to shareholders.



Timeline/Road Map

2013

- Maha Energy Inc. (Canada) is incorporated in Alberta, Canada.
- Maha Energy (USA) Inc. (US) is incorporated in Wyoming, USA.
- The LAK Ranch property is acquired and 3 wells are immediately drilled to boost production.
- Corporate Governance Policies created.
- Deloitte appointed Company auditor.

2014

- Maha Energy (USA) Inc. completes well drilling program and meet all obligations as per the agreement regarding the LAK Ranch property and assumes 99% Working Interest.
- Maha Energy Inc. (Canada) acquires minor interests in producing wells in Canada.
- Oil price crashes at the end of 2014.

2015

- Maha Energy (US) continues to appraise and develop the LAK Ranch field.
- Chapman Petroleum Engineering Ltd. prepares a NI 51-101 compliant reserves report (dated 30 November 2015 with effective date of 1 December 2015) which estimates 12.8 million barrels of proved and probable (2P) reserves at the LAK Ranch field

2016

- Oil price reaches a low point of USD 26/bbl in February 2016.
- Maha Energy AB is created and lists on Nasdaq Stockholm First North Growth Market. First day of trading is 29 July, 2016.
- FNCA is appointed as the Company's certified advisor.
- Maha Energy AB starts an acquisition process of acquiring 75% Working Interest in the SES-107D concession onshore Brazil.
- The Company acquires UP Petroleo Brasil Ltda., Petro Vista Energy Petroleo do Brasil Ltda., as well as Working Interest in the Tartaruga Field, resulting in Maha holding 75% of the Working Interest in the Tartaruga Field.

2017

- Oil prices start to recover.
- Maha Energy AB concludes the acquisition of 3 smaller companies and assumes operatorship of the Tartaruga oil producing license onshore Brazil. The Company immediately restores production of a shut-in well by the addition of a hydraulic jet pump – immediately doubling production from the field.
- Maha Energy AB acquires all outstanding share and intercompany debt of Gran Tierra Finance (Luxembourg) S.A.R.L and Gran Tierra Brazco (Luxembourg) S.A.R.L resulting in ownership (100% Working Interest) in the 1,000 BOPD producing Tie Field and six additional concession agreements onshore Brazil. The transaction is preceded by a directed share issue, private placement and a Senior Secured Bond. The bonds are listed in Sweden.
- The Company immediately designs and places orders for custom made hydraulic jet pumps to provide artificial lift at the Tie field.
- An extensive water injection campaign at Tie field is also commissioned to halt declining reservoir pressures.
- Plans are laid to increase processing capacity of the Tie Battery from 2,000 BOPD to 5,000 BOPD.
- New customers are solicited for the oil and gas at Tie to increase offtake capacity. All production from the Tie field is delivered using trucks.
- The Company commences official support for Tamar Turtle Sanctuary Project, near the Tartaruga field.
- At LAK Ranch, RPS Knowledge Reservoir, a third party independent reservoir engineering company, establishes that a hot water flood is a comparable extraction method to the previously determined steam flood. Extraction plans at the LAK Ranch is reworked to accommodate a hot water flood.

2018

- Maha Energy (US) drills 2 more horizontal producers and 4 new hot water injection wells at the LAK Ranch oil field, as oil prices continue to recover.
- A shut-in well at the Tie field is brought back on stream by the installation of a custom made hydraulic jet pump. Production from the field almost doubles.
- Offtake agreements at the Tie field are negotiated to allow for a total of 4,100 BOPD to be sold via trucks. Simultaneously, gas offtake agreements are also increased to handle the increase in associated gas.
- The 1994 discovery well (107D) at Tartaruga oil field is re-entered and a sidetrack initiated to recomplete the well as a horizontal producer. Due to safety considerations and proximity issues, the Tartaruga production is reduced during the drilling program resulting in lower than planned production volumes for the year.

2019

- Drilling of 107D horizontal sidetrack is completed with very good to excellent oil and gas shows throughout the 500 m. horizontal section.
- The Company negotiates an additional 750 BOPD oil offtake arrangement at the Tie field, bringing total sales capacity to 4,850 BOPD.
- Gas-to-Wire (GTW) starts receiving gas at the Tie field and the Company starts delivering electricity to the electric grid in Brazil.
- Compressed gas deliveries are increased to CDGN at the Tie field.
- GTW is contracted to process and sell gas at the Tartaruga field.
- The Attic Well (Tie-1) is drilled, completed and placed on production at the Tie field. The Tie-1 tests 2,932 BOEPD on a 38/64"" choke – a production record well for onshore Brazil. The well was constrained to tubing size, suggesting higher flow rates were achievable.
- Maha Energy AB is invited to bid for the highly attractive Block 70 onshore Oman. The Company submits a competitive bid and enters into negotiations with the Omani Government.
- Company exceeds 3,000 BOEPD average annual production volumes.

2020

- COVID-19 Pandemic sweeps the world – WTI oil prices hit an all-time low. The Company decides to revise its 2020 capital plans and delays capital spending.
- Maha acquires a minor land position in Illinois/ Indiana in a counter cyclical acquisition of Dome AB Inc. for half the booked proved developed producing value of the assets. Maha assumes operations and completes a drilled but uncompleted well and drills a new producing well. Production is doubled from the Illinois/Indiana asset in less than 9 months.
- Production from LAK Ranch is suspended and the field closed in as a result of low oil prices. See note 9.
- Two 1370 hP gas compressors are installed and commissioned at the Tie field to allow for 100% redundancy of gas production at the field. This decouples oil production from gas handling allowing for 100% uptime of oil production.
- The Tie-2 development well is drilled on the Tie field. Test results yield 2,005 BOEPD from two comingled zones.
- Drilling of the Tie-3 well is started.
- After extensive negotiations, Maha is awarded Block 70 in Oman. Block 70 contains the undeveloped and very shallow Mafraq heavy oil field.
- Four Gas to Wire generators are commissioned at Tartaruga and commercial export of electricity commences.
- A new well (TTG-3) is drilled at Tartaruga to delineate the northern part of the Tartaruga field. A total of 4 zones are tested. The bottom zones are tight and only flow sub-commercial amounts of oil. The top zone is plagued with water encroachment from an unknown origin. Focus is shifted to develop the proven producing southern fault block whilst assessing the results of the TTG-3 well.
- Maha Energy AB is admitted to Nasdaq Stockholm main board as a small cap company. First day of trading on Nasdaq Stockholm is 17 December, 2020.
- Maha assumes the GRI and SASB frameworks as guidelines for ESG disclosure

2021

Subsequent events

- Drilling of the Tie-3 hybrid development/injector well is completed after extensive drilling delays. The well penetrates a new oil bearing zone in the Itaparica formation. The Tie-3 well will undergo extensive testing before being placed on production.
- TTG-3 is placed on long term production testing to evaluate water encroachment issues.
- The Company enters into a refinancing agreement with Brazilian investment Bank BTG Pactual for USD 70 million to refinance the existing SEK 300 million bond and to finance the Company's production expansion objectives.
- Company publishes its first Sustainability Report.

Sustainable Operations – ESG

One of Maha's key corporate goals is to be a good global citizen and create to long-term value for stakeholders through responsible operations. Part of this strategy is to recognize growing investor and stakeholder interest in Environmental, Social, and Governance (ESG) elements. This interest has encouraged Maha to develop and integrate ESG further into its activities. Part of the integrated corporate model is for Maha to use the internationally recognized Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) as a guiding framework for Maha's ESG disclosures.

Transparency to stakeholders is a critical part of any business strategy and Maha has taken steps to further disclose ESG information to its stakeholders by publishing the 2020 Environmental, Social, and Governance Report (found on Maha's website: www.mahaenergy.ca)

"We are here to create value for our company, our community and our customers through the extraction of hydrocarbons, if we cannot do that safely and without harm to the environment, we will not do it at all. Our cornerstone is that high HSE standards are achievable without sacrificing profits and work enjoyment"

– Jonas Lindvall, CEO, April 2015

Environment

Maha considers oil and gas developments can and must be undertaken in a manner that is safe for its employees, contractors, stakeholders, neighbors, and the environment. Thereby, Maha conducts its operations in a manner that respects the environment and is, at a minimum, in compliance with the applicable environmental laws and regulations.

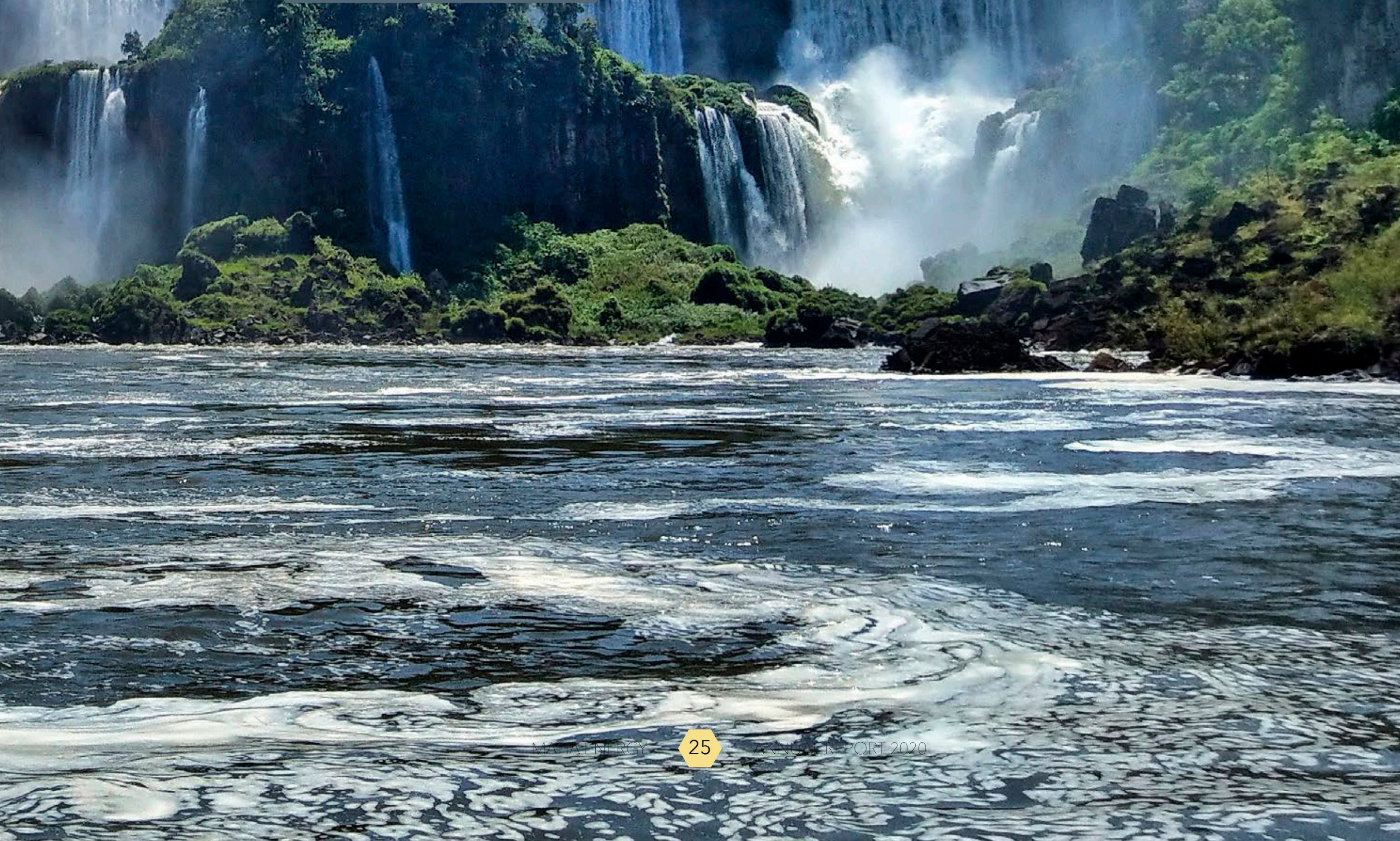
As part of the business culture, Maha implements the philosophy of being proactive rather than reactive in its environmental management.

Utilize Resources to the Fullest

Through proactive planning, Maha seek to maximize the use and minimize the waste of its resources – including water and natural gas. For example, Maha recycle and/or reinject produced water at all but one facilities, which not only reduces having to find water from an alternate source, but also reduce waste water treatment requirements. In Brazil, Maha is eradicating the release of natural gas by using the waste gas from oil production to generate and sell electricity.

Proactive Approach

A proactive approach to environmental management, allows for potential impacts to be minimized or eliminated prior them happening. Proactive management can also address potential irreversible impacts and allows the Company to make decisions on strategy and management, rather than responding out of necessity to a situation.



Social

Heatlh and Safety

Maha's personnel is the most valuable asset and key resource in exploring and developing business opportunities. As the most valuable asset, Maha strive to ensure the health, safety and well-being of every employee and anyone involved with its activities by emphasizing individual risk assessments and safe work practices. This means the safety of life, limb, environment and property always comes first – in that order.

> **"We put health and safety of our people first"**

At Maha, safety is viewed as a mindset and a culture rather than procedure or protocol. Creating a culture of safety by listening to the people and their safety concerns is an important commitment for Maha. As part of Maha's safety culture, the DuPont™ STOP®[1] Safety Program has been implemented across all levels of the organization.

In 1802, E.I. du Pont founded the DuPont Company – a gunpowder manufacturing company.[2] As time progressed, the Company began to diversify its product lines and became increasingly concentrated in the Chemical Department.[3] Throughout the 1900s the Company focused on explosives, synthetic fibers, textiles, paints, plastics, refrigerator coolants, dyes and more.[3] However, throughout the Companys' development, safety has always been deeply embedded into its operational strategy.[2] Back in 1802, E.I. du Pont built his house inside the gunpowder facilities' blast zone – a gesture that showed the employees that he and his family shared the risk with the workforce. Then as the Company began to shift its business towards chemical processing, safety policies and procedures evolved accordingly, becoming more complex and precise.[2] In 1911, DuPont launched the "Safety First" program, which then led to global recognition of safety at the workplace.[2]

70%+
of Maha Employees are DuPont STOP certified

9000+
Safety and Awareness training man-hours in 2020

600+
Safety Cards received in 2020

0
Lost Time Injuries in 2020

1 *www.dupont.com/industries/safety-and-protection.html*
www.dsslearning.com/dupont-stop/stop-overview-workshops
www.dsslearning.co.uk/dupont-stop
2 *www.dupont.com/news/safety-at-our-core.html*
3 *www.dupont.com/about/our-history.html*

28%
of leadership positions are held by women

100%
of Maha's In-Country General Managers are citizens of the country they operate in

60%
increase in women in the workforce compared to 2019

10
different nationalities represented in the employee base

Today's DuPont STOP Safety Program aims to change the thinking and behavior of people towards a safety-oriented mindset. The Program gives the person information, real-world practice, and skills to work and think more safely. This program has been studied, tested, and proven to help reduce accidents and injuries at the work place.

In 2020, Maha held over 30 training hours of DuPont STOP and by the end of 2020, 70% of Maha's employees were DuPont STOP certified. Maha has a goal of certifying 100% of its operational employees in the DuPont™ STOP® Safety Program. As part of the DuPont™ STOP® Safety Program, the HSE team collects STOP Safety Cards from employees and contractors, which help Maha understand the safety concerns its employees and contractors may have. Not only do these cards help Maha understand and improve the safety environment at the workplace, but it also enforces a safety mindset in its employees and contractors. By completing these cards, it encourages people to proactively identify risks as well as to think safety. The HSE management team reviews each safety concern and seeks to eliminate and address potential identified issues. In 2020, Maha collected over 600 Safety Cards.

Everyone working or visiting Maha's sites always have the right to stop work at any time to prevent potential health, safety, and environment incidents from occurring.

Maha Team

The Maha Team consists of a diverse and talented workforce, spread across the globe, all of whom contribute to the overall success of the Company. Diversity, for Maha, goes beyond traditional concepts like gender, age, and ethnicity; the Company particularly value original thinkers with different life experiences and knowledge. These original and critical thinkers challenge the box-checking practices and think beyond conventional solutions. These people and their contributions give Maha the competitive edge in the global business world. The Team goes beyond simply producing oil and gas; it develops new concepts and solutions to enhance business activities

Consultants and contractors are also closely connected to the Company's operations and business success. Maha is committed to ensure the same high level of professional conduct with contractors and consultants as with its employees. An open and transparent dialogue with contractors is encouraged to improve the work environment and ensure safe and efficient work.

Meet Some of Our Team Members

Anderson Santiago
Age: 36
Position: Safety Engineer
Years with Maha: Almost 4 Years

Anderson has a degree in Industrial Engineering and has two post-graduate degrees in Occupational Health & Safety Engineering and Safety Management. With 16 years of HSE experience, Anderson continues to develop and run Health, Safety, Environment and Quality Management Systems at Maha. As a strong team player, Anderson supports the legal department, the teams on site, and upholds the corporate safety standards and values.

Alan McKeown
Age: 31
Position: Petroleum Geologist
Years with Maha: Almost 2 Years

Mr. McKeown gained his B.Sc in geology from the University of Calgary, Alberta, Canada in 2019. After graduating, Alan joined the Maha Team and took an active role in the wellsite geology, development and exploration for the Tartaruga and Tie field operations in Brazil. Mr. McKeown continues to dedicate his passion and skills in geology towards further developing himself, the team and their results.

Walter Lima de Santana Filho
Age: 29
Position: Production Supervisor
Years with Maha: 1 Year

Walter is one of Maha's Production Supervisors and is responsible for supervising the operational and third-party teams on-site. His leadership focuses on safety and production performance improvements, while optimizing and monitoring the oil and gas field oeprations. Additionally, Walter analyzes and approves work permits as well as ensure that the well-sites are in accorance with HSE standards and regulations.

Luciana Martins Borges
Age: 43
Position: General Director for Brazil
Years with Maha: 4 Years

Luciana has over 20 years of professional experience in the oil and gas industry, both onshore and offshore. Her role at Maha requires her to be responsible to implement and manage local corporate items, internal controls and risk management, and ensures the full compliance with the Company Corporate Policies. She is the focal point between Maha and Governmental Bodies and helps facilitate discussions between the two entities. Additionally, Luciana represents Maha in liaising with external parties and stakeholders in Brazil.

Stephen Smith
Age: 32
Position: Assistance Pumper/
Roustabout
Years with Maha: 7

Stephen works as a Pumper/Roustabout at Maha's LAK Ranch facilities in Wyoming, USA. His responsibilities include daily record keeping of the production and injection wells. Stephen supports the continuity of production by monitoring and ensuring the Heater Treater works properly during operations, record tank information, and completes tasks required on the field.

Alan Cooke
Age: 43
Position: Illinois Basin Operations
Manager
Years with Maha: 1

Alan has a degree Petroleum Engineering Technology Diploma from the Southern Alberta Institute of Technology. Alan has held positions of increasing responsibility in the oil and gas industry over the last 19 years including 4 years of operations in the Illinois Basin. Alan is responsible for the day to day operations in the Illinois Basin and the execution of the drilling, completion and workover programs in the basin.

Maha's Management Team

Jonas Lindvall
Born 1967
B. Sc. P. Eng., MEB
Founder since 2013
Chief Executive Officer since 2016

Mr. Lindvall is a seasoned senior executive with 30 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.

Andres Modarelli
Born 1979
CPA
Chief Financial Officer since 2017

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.

Alan Johnson
Born 1971
B.Sc. Eng.
Vice President Operations since 2019

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

Jaime McKeown
Born 1964
B.Sc. Geology
Vice President of Exploration and Production since 2016

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

Victoria Berg
Born 1988
Manager Investor Relations and (Interim) Deputing Managing Director since 2019

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

More information about the executive management team can be found on Maha's website: mahaenergy.ca/en/about-us/management.html

Local Communities

Part of being a good global corporate citizen, requires Maha to contribute to the local economy. As the Company grows and expand field operations, economic benefits trickle into the local economy through the purchasing of local goods and services, royalties, taxes, and local employment. Direct hiring and encouraging subcontractors to hire local suppliers wherever possible provides immediate individual benefit, contributes to the local economy, makes good economic sense, and benefits local communities. It is Maha's belief that a good relationship between Company and the local community supports the overall success for both entities.

Maha has also connected with Local Community Associations to maintain an open dialogue with the communities near its operations. Local Community Associations often approach Maha for support in local community events. Partaking in these events, integrates the Company with the community, which fosters good relationships as well as advances the growth and development for both the local economy and Maha.

Community Support have included:

- Local culinary lessons
- Celebrating Dia das crianças (Childrens Day in Bahia)
- Educational activity support at nearby schools
- Secondary schooling scholarships
- Team sport sponsorships

Governance

Corporate Governance is part of the foundation that guide Maha's corporate culture, business objectives, and help promote stakeholder interests. The Company is committed to conducting business honestly, safely, ethically and with integrity in full compliance with laws, rules and regulations applicable to the business in the countries in which it operates. Maha's Code of Conduct outlines the general ethical principles in business and the behavior expected of its employees. Maha's corporate policies, procedures, and guidelines are all readily available for all employees.

Maha adheres to both the internal and external rules for Corporate Governance principles; thus, decreasing potential risks associated with unclear individual and company responsibilities and avoiding conflicts of interests between its shareholders, managers, and board of directors.

0
confirmed Anti-Corruption Incidents in 2020

0
political contributions in 2020

Anti-Corruption

The Company is committed to transparent business practices and fair trade. As such Maha has developed and abides by a detailed anti-corruption policy, Maha:

- Is committed to conducting all of its business in an honest and ethical manner.
- Is committed to abiding by the law in the conduct of its business and in its interactions with others.
- Has developed corporate-wide written policies in this regard, including the Code of Conduct and this Anti-Corruption Policy (both available on the Company's website), which prohibits employees of Maha, its subsidiaries and affiliates and anyone else involved in Company business from bribing Government Officials or Commercial Customers. This Policy also prohibits employees from falsifying Company records or failing to keep accurate records related to Company business, and from circumventing the Company`s accounting controls and policies.
- Intends through this Policy to ensure Company business is conducted in a manner that does not violate the anti-corruption laws of USA, Sweden, and/or any other country in which the Company does business or has a presence.

Assets

1. LAK Ranch

Field Name: LAK Ranch
Location: Wyoming, USA
Discovery Year: 1939
Year of Acquisition: 2013
Maha Working Interest: 99%
Number of Wells: 9 Producers and 11 Injectors
2020 Average Production: 28* BOPD
(field productions suspended due to COVID-19)
2P Reserves : 8.81 MMBO
Operator : Maha Energy (USA) Inc.

2. Illinois Basin

Field Name: Illinois Basin
Location: Illinois/Indiana, USA
Discovery Year: 1860
Year of Acquisition: 2020
Maha Working Interest: 96%
Number of Wells: 22 Producers
2020 Average Production: 150* BOPD
2020 Exit production : 275 BOPD
2P Reserves : 3.55 MMBO
2020 Highlights: Drilled one new well and completed an uncompleted well to boost production.

3. Tartaruga

Field Name: Tartaruga ('Turtle')
Location: Sergipe, Brazil
Discovery Year: 1994 (Petrobras)
Year of Acquisition: 2017
Maha Working Interest: 75% (Operator) Petrobras (25%)
Number of Wells: 3 Producers
2020 Average Production: 513 BOEPD
2P Reserves : 12.39 MMBOE
2020 Highlights: Completed and tested TTG-3. Commenced gas sales.

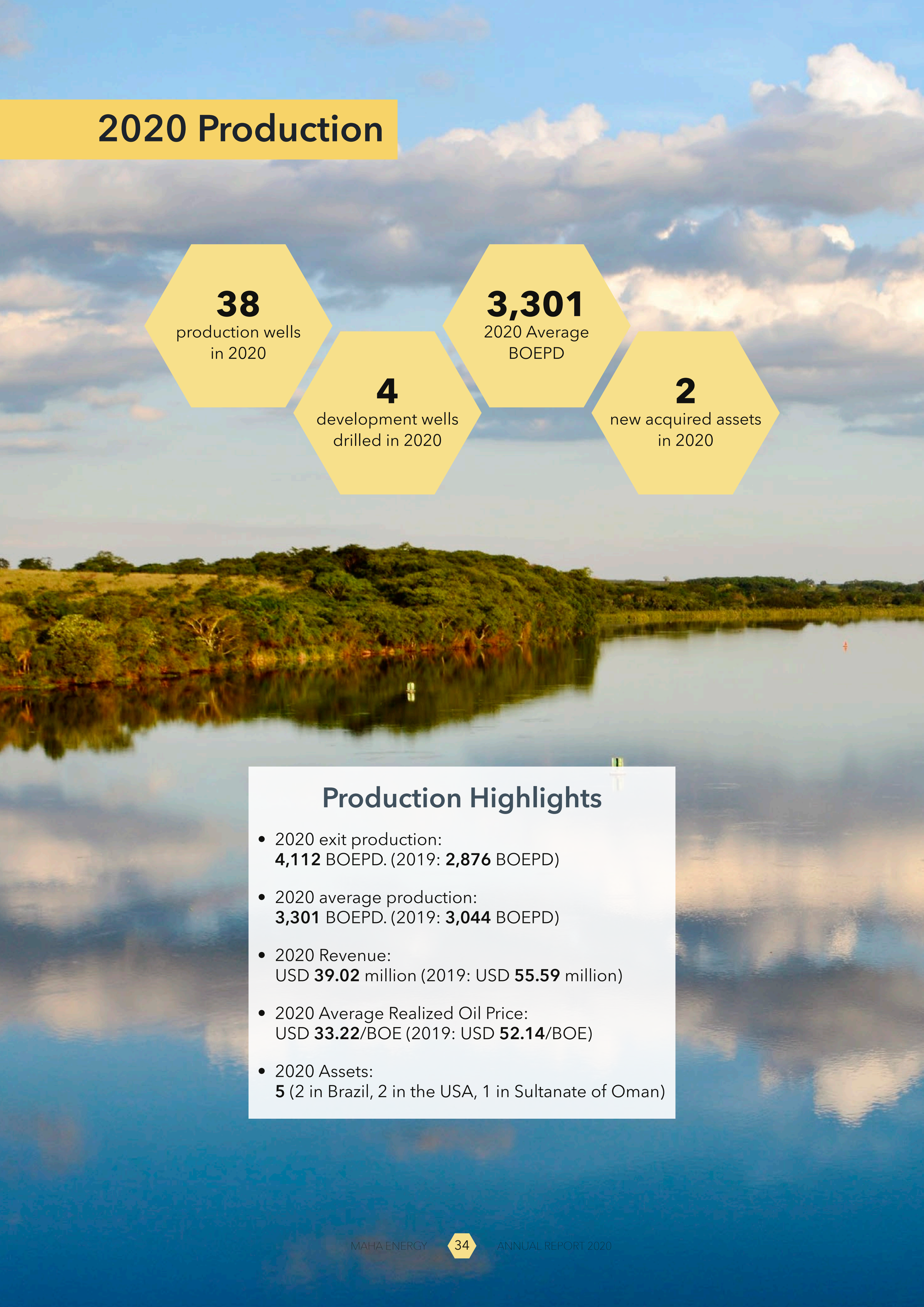
* *Based on number of days operated.*

4. Tie

Field Name: Tie Field
Location: Bahia, Brazil
Discovery Year: 2009
Year of Acquisition: 2017
Maha Working Interest: 100%
Number of Wells:
4 Producers, 1 Injector, 1 Water Source
2020 Average Production: 2,673 BOEPD
2P Reserves: 22.18 MMBOE

5. Mafraq

Field Name: Block 70 (Mafraq)
Location: Oman
Discovery Year: 1988
Year Awarded: 2020
Maha Working Interest: 100%
Number of Wells: 5 on structure
2020 Average Production: nil
2P Reserves : 0.97 MMBO
2C Resources : 22.29 MMBO
2020 Highlights: Royal Decree obtained 28 October, 2020.



2020 Production

38
production wells in 2020

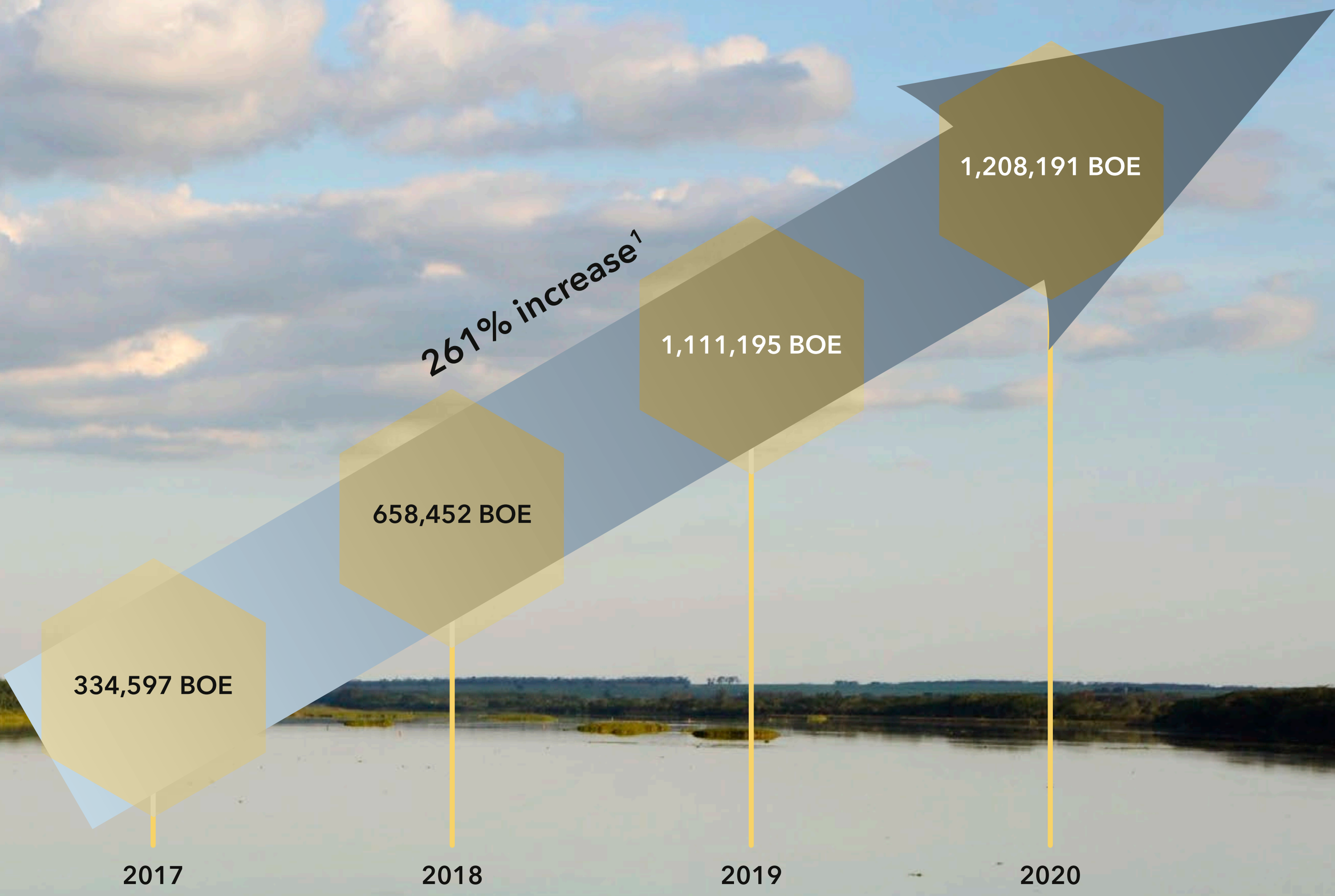
4
development wells drilled in 2020

3,301
2020 Average BOEPD

2
new acquired assets in 2020

Production Highlights

- 2020 exit production:
  4,112 BOEPD. (2019: **2,876** BOEPD)
- 2020 average production:
  3,301 BOEPD. (2019: **3,044** BOEPD)
- 2020 Revenue:
  USD **39.02** million (2019: USD **55.59** million)
- 2020 Average Realized Oil Price:
  USD **33.22**/BOE (2019: USD **52.14**/BOE)
- 2020 Assets:
  5 (2 in Brazil, 2 in the USA, 1 in Sultanate of Oman)



Above production numbers are Company gross values and before royalty payments.

Country	Concession Name	Maha Working Interest (%)	Status	Area (acres)	BOEPD[2]	Partner
USA	LAK Ranch	99	Pre-Production (Suspended)	6,475	28[4]	SEC (1%)
USA	Illinois Basin	100[3]	Producing	4,039	150[5]	
Brazil	Tartaruga	75	Producing	5,944	513	Petrobras (25%)
Brazil	Tie (REC-T 155)	100	Producing	1,511	2,673	
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		
Oman	Block 70 (Mafraq)	100	Exploration	157,900		
					3,301	

1 *Based on yearly average BOE production*

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

3 *Average working interest of 95% based pm a met area pf 3,826 acres.*

4 *LAK Ranch is considered to be in the pre-development phase and therefore production is capitalized and does not show up as sales volumes. Based on number of days operated.*

5 *Based on number of days operated.*

Reserves

Audited Reserves (as at December 31, 2020)

	Oil (million bbls)			
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch	0.11	8.70	5.43	14.24
Illinois Basin	2.29	1.26	0.90	4.45
Tartaruga	6.32	5.13	5.06	16.51
Tie	16.85	3.00	5.58	25.43
Mafraq	0.25	0.72	1.07	2.04
TOTAL	**25.82**	**18.82**	**18.04**	**62.67**

	Gas (billion SCF)			
Field	**Proven**	**Probable**	**Possible**	**Total**
LAK Ranch				
Illinois Basin				
Tartaruga	3.10	2.51	2.48	8.09
Tie	11.84	2.14	3.99	17.97
Mafraq				
TOTAL	**14.94**	**4.65**	**6.47**	**26.06**

	Barrels of Oil Equivalents (million BOE)		
Field	**Proven (1P)**	**Proven + Probable (2P)**	**Proven + Probable + Possible (3P)**
LAK Ranch	0.11	8.81	14.24
Illinois Basin	2.29	3.55	4.45
Tartaruga	6.84	12.39	17.85
Tie	18.82	22.18	28.42
Mafraq	0.25	0.97	2.04
TOTAL	**28.31**	**47.90**	**67.00**

Contingent Resources

Resources	Mafraq* (million bbls)
1C	18.880
2C	22.289
3C	26.499

* *As at December 31st, 2020.*

> 2020 proved to be a year of challenges, however, as a team, Maha continued to push forward and grow in many areas – including its reserves.
>
> – Alan Johnson

Picture of electrification equipment at the Tie gas generator station. The Company generates electricity from waste gas at Tie, thereby utilizing 100% of the natural resources produced at Tie field.

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.
- 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:

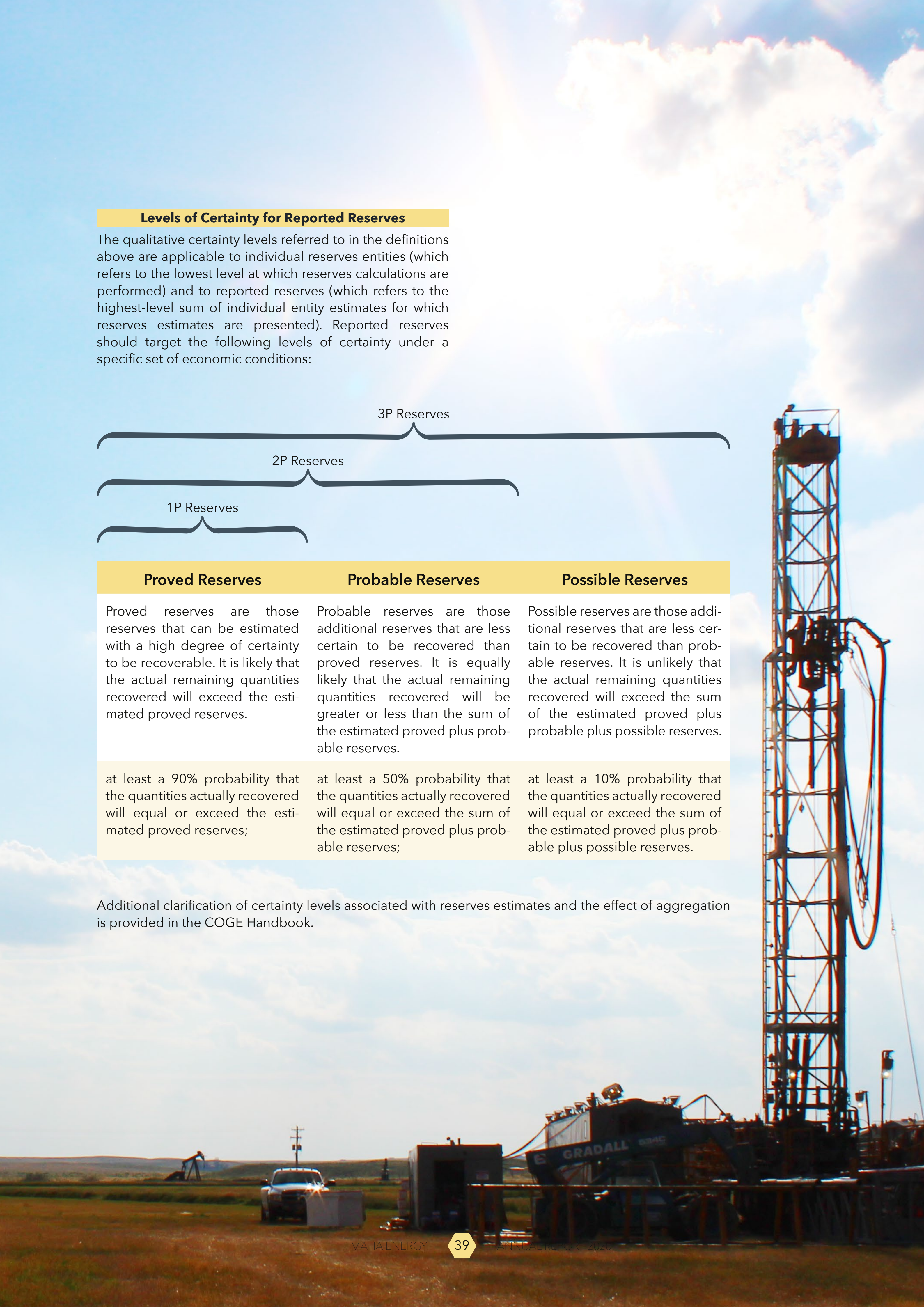
3P Reserves

2P Reserves

1P Reserves

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

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



Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development (TUD), but which are not currently considered to be commercially recoverable due to one or more contingencies.

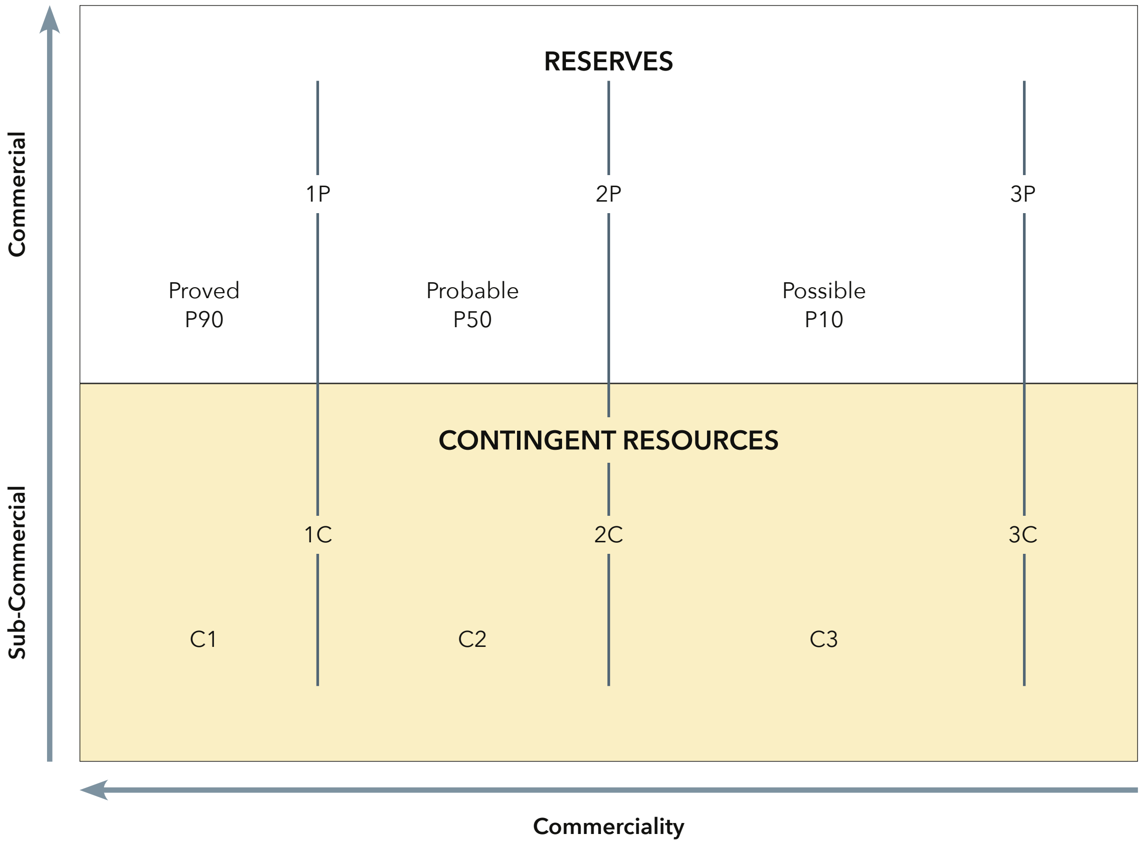
Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Contingencies may include economic, environmental, social and political factors, regulatory matters, a lack of markets or prolonged timetable for development. Contingent Resources have a Chance of Development that is less than certain.

Project Maturity Sub-Classes are: Development Pending, Development on Hold, Development Unclarified and Development Not Viable.

Reports on Contingent Resources must specify the level of maturity and usually include the cumulative cases of 1C, 2C and 3C estimates, or if specified separately as incremental categories of C1, C2 and C3.

There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.



Managing Risks and Opportunities

Maha Energy takes a proactive approach in risk management and continually manage uncertainties and opportunities impacting the business and related activities. The Company's approach is designed to properly plan, identify, and manage risks prior to them potentially impacting the business, operations, health & safety, and environment. Through the proactive risk management approach, Maha strives to achieve and protect short- and long-term business objectives while simultaneously maximize Company value.

Risk assessments are based on foresight, industry experience and informed decision-making. These assessments occur throughout all levels of the organization; individual risk assessments, like safety assessments, occur on a daily basis, while corporate strategy risk assessments, such as geological and sub-surface assessments, occur on a regular and as-needed basis. Quantitative and qualitative risk assessments that prioritize Maha's activities, people, operations, balance sheet, and stakeholders, enables the Company to effectively plan and manage potential risks. This helps Maha minimize, potential risks that may impact the Company prior to occurrence. Additionally, proactive risk management can also address potential irreversible impacts, allowing for decisions to be made on strategy and management rather than responding out of necessity to a situation.

Maha's risks assessment ultimately sits with the Board of Directors, while Maha's executive management is responsible for establishing, measuring, and managing high-level corporate and company risk. Local management has the daily responsibilities for managing and monitoring operational risks. Finally, every employee has the responsibility to manage and monitor personal work-related risks.

Operational Risk

Geographical Locations

Risk

The Company's current production of oil and gas was concentrated in two oil producing fields in Brazil and two oil producing fields in the United States (however pre-commercial production from the LAK Ranch has temporarily been suspended due to depressed oil price).

Management

The Company was during October 2020 awarded a new exploration block (Block 70) in the Sultanate of Oman, subject to a Royal Decree which was granted on 28 October 2020. The exploration and production sharing agreement for Block 70 covers an initial exploration period of three years with an optional extension period of another three years. A 15-year production period that can be extended by 5 years after the exploration period, if deemed economically beneficial by the Company.

Resources and Reserves

Risk

Perhaps the largest risk for Maha is the geological risk of hydrocarbon presence. For oil and gas to be present, multiple factors must converge, including trapping, migration, and hydrocarbon generation. Reservoir parameters may vary within reservoir sections. The degree of uncertainty in reservoir parameters used to estimate the volume of hydrocarbons, such as porosity, net pay and water saturation, may vary.

Economic variables, such as taxation and oil price, determine commerciality of the reservoir and geological risks.

Management

The primary objective of the Company is to engage in enhanced oil recovery technologies, meaning that the Company primarily engage in exploitation of already discovered hydrocarbons. Therefore, the biggest subsurface risk for the Company lies in the extraction process, instead of the exploration process. To that end, the Company has engaged professional and independent geologists and engineers to annually evaluate its reservoir and development plans.

The Company maintains an independent third party reserve auditor, whose job it is to review and audit Maha reserves every year. Reserves are classified according to set industry standards and are broken up into probabilistic ranges. In addition to reservoir volumes, Net Present Values of each asset are determined every year on independent oil price determinations.

ESG Risk

Health and Safety

Risk
Health and Safety issues (like accidents and fatalities) can result in operational disruptions, negatively impact production and profitability and if these issues are chronic can cause reputational damage, but most importantly may impact a member of the Maha Team.

Management
Maha takes Health and Safety of its employees, contractors, and suppliers very seriously and has implemented a safety culture throughout the Company using the DuPont™ STOP® Safety Program.

The Company has appointed a special HSE Committee, composed of members of the Board, to review and monitor Maha's HSE related items.

Ecological Impacts

Risk
Negative ecological impacts can lead to reputational and operational risks, higher operational costs and legislation costs to mitigate potential harm. Reputational risks can lead to environmental license delays.

Management
Maha is environmentally conscious and is committed to minimize the impact of its activities on the surrounding natural environment. Through careful planning and good communication between Maha's neighbors, authorities, and within the Company, work can continue in an environmentally responsible manner.

Financial Risk

Liquidity and Refinancing Risk

Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Management
The Company has since inception been equity and debt financed through share and bonds issues along with free cash flow generation from its producing assets. Management relies on cash forecasting to assess the Company's cash position based on expected future cash flows.

Foreign Currency Exchange Rates

Risk
The Company is exposed to changes in foreign exchange rates as expenses and income in foreign subsidiaries are in different currencies to the US Dollar. As such, oil and gas expenditures, or financial instruments may fluctuate due to changes in exchange rates.

Management
The Company is partially protected against exchange fluctuations as the revenue from oil sales are tied to the Brent Oil price, which is expressed in US Dollars. In Brazil, for example, sales are settled in Brazilian Real, but based on a current Brent Oil price (USD). Furthermore, the Company's management continuously monitor the USD/Real relationship to ensure funds are repatriated at times of beneficial exchange rates as far as possible. In Oman, the Omani Rial (OMR) is pegged against the USD – hence income and expenses are effectively in USD.

For other potential risks, please look at page 52.

The Maha Energy Share

Maha Energy AB (Maha) was listed on Nasdaq First North Growth Market in Stockholm, Sweden on July 29, 2016. Subsequently, on 17 December 2020, the Company migrated to Nasdaq Main Board in Stockholm, Sweden.

Share Data

As at December 31, 2020 the Company had 101,630,051 shares outstanding of which 101,146,685 were Class A shares and 486,366 were class B shares.

Dividends

The Board of Directors will propose not to pay dividends for 2020, as it anticipates that all available funds will be invested to finance the growth of its business. The board of directors will propose if and when dividends should be declared and paid in the future, based on Maha's financial position at the relevant time.

List of Major Shareholders as of December 30, 2020

Major Shareholder	Number of Shares Held	% of Outstanding Shares
KVALITENA AB	21,288,327	20.95%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	6,038,327	5.94%
JONAS LINDVALL (Maha CEO and Managing Director)*	4,761,147	4.68%
ÅLANDSBANKEN I ÄGARES STÄLLE	2,051,053	2.02%
IBKR FINANCIAL SERVICES AG, W8IMY	1,392,690	1.37%
SIX SIS AG, W8IMY	1,385,625	1.36%
SYDBANK I ÄGARES STÄLLE	1,241,412	1.22%
BNY MELLON NA (FORMER MELLON), W9	1,225,768	1.21%
NORDNET PENSIONSFÖRSÄKRING AB	940,014	0.92%
UBS SWITZERLAND AG, W8IMY	886,408	0.87%
Sub Total	**41,210,771**	**40.55%**
Remaining Shareholders	60,419,280	59.45%
Total Maha A and B	**101,630,051**	**100%**

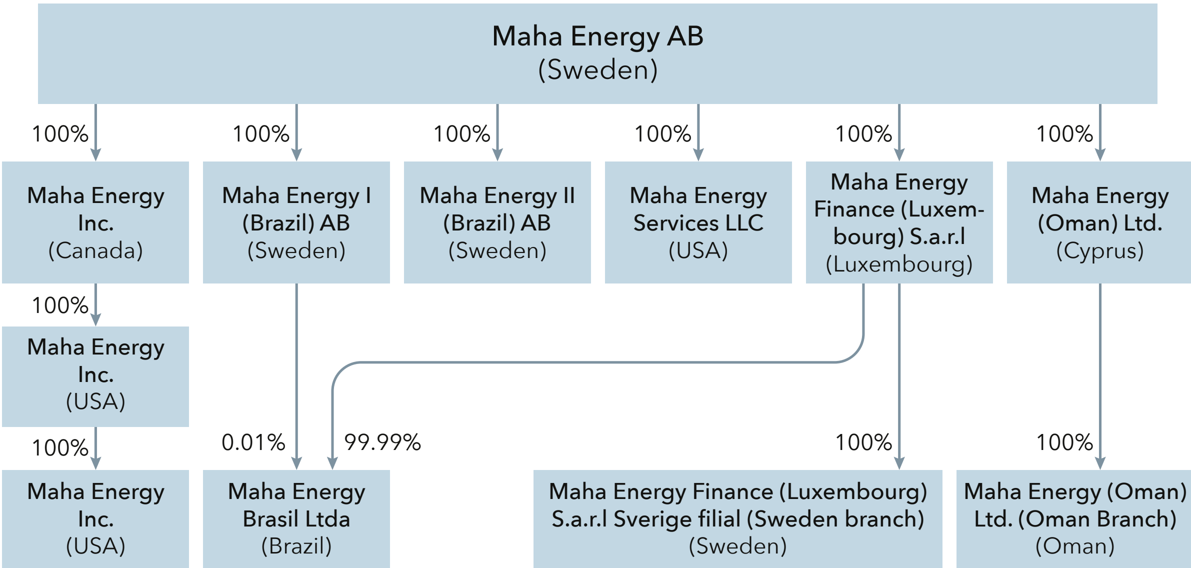
* *Includes 30,000 shares on loan to Penser Bank*

Administration Report

The Board of Directors and the Managing Director of Maha Energy AB (publ) ("The Company" or "Maha") with Company Registration Number 559018-9543, hereby report the Company's Annual Report covering the period 1 January 2020 until 31 December 2020, and the associated consolidated Financial Report for the year 1 January 2020 until 31 December 2020. This report is a review of Maha Energy AB results and management's analysis of its financial performance for the year ended 31 December 2020. The consolidated financial statements included in this Annual Report have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU). Significant accounting policies used are set out in Note 2 to the financial statements. All amounts are expressed in United States Dollars (USD), except in the Parent Company Annual Report where all amounts are expressed in Swedish Krona (SEK), unless otherwise indicated.

Corporate Structure

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



Note: The Company structure shows all the subsidiaries of the Group as of 31 December 2020.

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 (US) Inc. (incorporation number 2013-000637593), a company incorporated pursuant to the laws of the State of Wyoming, United States of America (which owns 99% of LAK Ranch in the USA), Maha Energy I (Brazil) AB (incorporation number 559058-0907), a Swedish private limited liability company, Maha Energy II (Brazil) AB (incorporation number 559058-0899), a Swedish private limited liability company, Maha Energy Finance (Luxembourg) S.A.R.L (incorporation number – B163089) a company incorporated pursuant to the laws of Luxembourg owning 99.9% of the issued and outstanding shares of Maha Energy Brasil Ltda. (incorporation number 11.230.625/0001-66) and Maha Energy I (Brazil) AB owning remaining 0.01%. This Brazil limited company owns 100% of the Tie Field, and Blocks 155, 117, 118, 129, 142, 224 and 75% of Tartaruga Block in Brazil.

Changes in the Group

On 31 March 2020, the Company acquired certain oil producing assets in the Illinois Basin, USA held by Maha Energy (Indiana) Inc. (incorporation number 802584723) which is a wholly owned subsidiary of Maha Energy (US) Inc. In addition, on 5 October 2020 the Company's previously acquired subsidiary Maha Energy (Oman) Ltd, based in Cyprus, entered into an Exploration and Production Sharing Agreement ("EPSA") with the government of the Sultanate of Oman, for Block 70, an onshore block in Oman. In December, the Company was admitted to trading on the main market Nasdaq Stockholm under the same ticker and with the same ISIN code as before.

The consolidated financial statements reflect the activity of Maha for the years ended 31 December 2020 and 2019.

Financial Results Review

Result

The net result for the year amounted to a loss of TUSD -10,259 (2019: TUSD 19,654) representing earnings per share of USD -0.10 (2019: USD 0.20). Included in the current year result is an impairment charge of TUSD 21,000 on exploration and evaluation assets. Excluding this charge, the net result for the year was TUSD 10,741 which is lower than last year mainly due to lower realized prices during the year despite 10% higher sales volume. In addition, current year had higher operating costs and higher general and administrative costs which was partially offset by lower current and deferred tax expense for the year.

Earnings before interest, tax, depletion and amortization (EBITDA) for the year amounted to TUSD 18,104 (2019: 35,868). Lower EBITDA for the year represents lower operating results for the year driven mainly by lower realized prices during the year due to COVID–19 impact and higher operating costs.

Production

	2020	2019
Delivered Oil (Barrels)[1]	1,113,785	1,019,047
Delivered Gas (MMSCF)	566,437	552,862
Delivered Oil & Gas (BOE)[2]	1,208,191	1,111,191
Daily Volume (BOEPD)	3,301	3,044

Production volumes shown are net working interest volumes before government and freehold royalties. Approximately 92% (2019: 92%) of Maha's oil equivalent production is crude oil.

2020 average daily production volumes increased by 9% as compared to 2019 mainly due to addition of Tie-2 well and Illinois Basin assets, acquired on 31 March 2020 (See Note 8) as well as production volumes were positively impacted as Maha managed to sell gas from the Tartaruga field. This positive impact to the production volumes was offset during the year as Tie production suffered due to ongoing GTE-4 mechanical problems in the Agua Grande (AG) short string preventing oil contribution from the AG zone. The dual GTE-4 well was shut in several times to restore production from AG zone and was converted to an artificial lift well. Tie-1 (attic well) suffered production interruptions from the short string (AG) due to water loading occurring, following the planned facility shut down. In addition, COVID–19 delayed drilling projects to the latter part of the year which impacted the overall production.

Revenue

	2020	2019
Oil & Gas revenue (TUSD)	39,018	55,589
Sales volumes (BOE)	1,174,386	1,066,084
Oil realized price (USD/BBL)	36.05	56.32
Gas realized price (USD/MSCF)	0.67	1.11
Equivalent Oil realized price (USD/BOE)	33.22	52.14
Reference Price – Brent (USD/BBL)	41.76	64.36

Revenue for the year amounted to TUSD 39,018 (2019: TUSD 55,589) and was comprised of 10% higher sales volume of oil and gas. Despite higher sales volume, revenue for this period decreased by 30% as compared to the same period in 2019 resulting from the depressed oil and gas prices and the economic conditions from the COVID–19 pandemic. Included in the full year 2020 revenue are sales from the Illinois Basin of TUSD 1,500.

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

Tie Field crude oil

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

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

Crude oil sales to Petrobras from the TIE field are sold at a discount to Brent oil price of USD 11.53/Bbl for the first 22,680 monthly delivered barrels, and USD 7.01 thereafter. Effective 1 April 2021, Crude oil sales to Petrobras from the TIE field are sold at a discount to Brent oil price of USD 6.48/Bbl for the first 22,680 monthly delivered barrels, and USD 5.44 thereafter

Tartaruga Field crude oil

Crude oil from the Tartaruga field is entirely sold to Petrobras. From July 1, 2020 crude oil is being sold at a discount to Brent of USD 2.91/Bbl. (2019: 0.16/Bbl premium).

Illinois Basin

Crude oil from the Illinois Basin is sold to a refinery at the benchmark monthly average WTI price minus a discount of approximately USD 3/Bbl.

Royalties

(TUSD, unless otherwise noted)	2020	2019
Royalties	5,829	7,449
Per unit (USD/BOE)	4.96	6.99
Royalties as a % of revenue	14.9%	13.4%

Royalties are settled in cash and based on realized prices before discounts. Royalty expense decreased by 22% for the year which is consistent with the lower revenue for 2020. Royalty expense as a percentage of revenues was slightly higher for 2020 than the comparative periods due to increased sales from the Tartaruga field and Illinois Basin, which have higher royalty rates.

1 *Includes LAK Ranch delivered oil of 2,473 BBLs in 2020 and 9,124BBLs in 2019.*

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

Production expenses

(TUSD, unless otherwise noted)	2020	2019
Production costs	7,536	5,022
Transportation costs	2,130	1,579
Total Production expenses	9,666	6,601
Per unit (USD/BOE)	8.23	6.19

Production expenses were higher by higher by 46% for 2020 and amounted to TUSD 9,666 (2019: 6,601) as compared to the same periods in 2019.

Production costs increased during the year due to several reasons: the newly acquired Illinois Basin added TUSD 842 to the 2020 production costs. In Tartaruga, higher sales volumes from the field resulted in higher production costs, as most of these costs are variable in nature combined with higher water disposal and third party processing fees. In Tie field, a one-time take or pay penalty was paid in Q4 2020 due to reduced gas delivered to our customers, due to impact of the pandemic on our deliveries during the year. In addition, the Company incurred repairs cost of artificial lift surface equipment during the year.

Maha's production is mainly trucked to the delivery points therefore transportation costs are directly correlated to the sales volumes. Transportation costs for 2020 increased by 25% resulting from the higher sales volume by 10% for 2020 as compared to 2019. In addition, export terminal storage and handling fees increased during the year as compared to the prior year.

On a per BOE (or unit) basis, production expense for the year increased by 33% and was USD 8.23 per BOE as compared to the comparative period mainly due to the one-time items described above.

Operating Netback

	2020	2019
Operating Netback (TUSD)	23,523	41,539
Netback (USD/BOE)	20.03	38.96

Operating netback is calculated as revenue less royalties and production expenses and is a metric used in the oil and gas industry to measure internal performance and against industry peers. Operating netback for the year was 43% lower than the comparative period as a result of lower revenue and higher production expense for the year as compared to 2019. This is also observed on a per BOE basis, where operating netback decreased 49% for the year despite higher sales volume.

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

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

	2020	2019
DD&A expense (TUSD)	5,624	5,671
DD&A expense (USD/BOE)	4.79	5.32

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 number of reserves added.

DD&A expense for the year amounted to TUSD 5,624 (2019: TUSD 5,671) at an average rate of USD 4.79 per BOE (2019: USD 5.32) and are detailed in Note 8. DD&A expense is in line with the comparative period as year end reserves additions was offset by increase in the depletable base from higher future development capital costs. On a per BOE basis, DD&A rate decreased due to increase in sales volume for the year.

DD&A expense also includes depreciation expense for other equipment and right-of-use assets.

Impairment of Exploration and Evaluation assets (E&E assets)

E&E assets are tested for impairment both at the time of any triggering fact and circumstances as well as upon their eventual reclassification to oil and gas properties in PP&E. The LAK Ranch heavy oil asset was shut in at the beginning of the 2020 COVID–19 Pandemic and will remain shut in until oil prices recover. Although the Company plans to continue the development of the LAK Ranch once it is considered economic again, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full as a result of decrease in forecasted commodity oil prices as at 31 December 2020. The Company assessed this as an indicator of impairment. As a result, an impairment test was performed and the carrying value of the LAK Ranch was written down to the estimated recoverable amount, resulting in a non-cash impairment charge of USD 21.0 million (2019 – nil).

General and Administration expenses ("G&A")

	2020	2019
G&A (TUSD)	5,939	5,464
G&A (USD/BOE)	5.06	5.13

G&A amounts are presented net of certain costs allocated to production expense. G&A expense for 2020 amounted to TUSD 5,939 (USD 5.06 per BOE) representing an increase of 9% from the comparative period of TUSD 5,464 (USD 5.13 per BOE). Higher G&A expense for the year is attributable to main market readiness and listing fees as well as the reversal of 0.6 million previously capitalized G&A expenses during 2020. Per BOE cost is slightly lower for the full year 2020 due to higher sales volume as compared to 2019.

The Company applied for the Canada Emergency Wage Subsidy ("CEWS") program during the year and qualified for TUSD 157. This subsidy has been recorded as a reduction to the eligible remuneration expense incurred by the Company during this period.

Exploration and business development costs

Exploration and business development costs amounted to TUSD 208 for 2020 as compared to TUSD 802 for the comparative period. Exploration and business development costs are related to costs incurred for the maintenance of the exploration blocks in Brazil and Maha's pre-exploration study and evaluation work of new areas, including Oman.

Foreign currency exchange gain or loss

The net foreign currency exchange loss for 2020 amounted to TUSD 245 (2019: TUSD 159 gain). Foreign exchange movements occur on settlement of transactions denominated in foreign currencies and the revaluation of working capital to the prevailing exchange rate at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Company's reporting entities.

Net finance costs

Net finance items for the year amounted to TUSD 4,982 (2019: TUSD 4,476) and are detailed in Note 6.

Other income and loss

Other income for the year amounted to TUSD 1,066 (2019: TUSD 370 loss). During the year, the Company recognized other income of TUSD 1,049 related to tax credits earned on Brazil value added tax known as Imposto sobre Circulação de Mercadorias e Serviços ("ICMS"). ICMS is a tax on the circulation of goods and transportation and communication services, a state sales tax. These tax credits can be applied to future taxable expenditures of the Company or it can be sold to external parties. This income was offset by net changes in other long-term liabilities and provisions. Other loss of TUSD 370 for 2019 represents net changes in other long-term liabilities and provisions.

Income Taxes

Current tax expense amounted to TUSD 1,106 for 2020 as compared to TUSD 2,636 for the same comparative period. Current tax expense is lower by 58% for 2020 mainly due to lower taxable income in Brazil resulting from lower oil and gas prices realized during these periods. Taxation of corporate profits in Brazil is a combined 34% rate (25% corporate income tax and 9% Social contribution); however, Maha Energy Brazil Ltda. has secured certain tax incentives (SUDENE) in both of its fields until fiscal year 2029 allowing for the reduction of 75% of the corporate income tax from 25% to 6.25%, bringing the combined net tax rate to 15.25%.

Deferred tax recovery for 2020 amounted to TUSD 4,594 as compared to deferred tax expense of TUSD 2,418 for the same comparative period. The Company determined that based on Brazil operating segment 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. The deferred tax asset has been recognized in respect of certain tax-deductible temporary differences and estimated tax loss carry-forwards.

Exchange differences on translation of foreign operations

The functional currency of the Company's subsidiary in Brazil is the Brazilian Real (BRL) and the functional currency of the Parent Company in Sweden is Krona. For presentation purposes all assets and liabilities are translated at the period end exchange rate and the Statement of Operations is translated at the average exchange rate of the period. The exchange differences on translation of foreign operations are presented in Statement of Comprehensive Earnings.

Total currency exchange translation loss for the 2020 amounted to TUSD 23,324 (2019: 2,902 loss) mainly due to US dollar strengthening against Brazilian Real by approximately 30% as compared to 31 December 2019 exchange rate which was slightly offset by Swedish Krona strengthening against US Dollars by 12% as compared to 31 December 2019.

Balance sheet

Non-current assets

Property, plant and equipment amounted to TUSD 91,045 (2019: TUSD 76,243) and are detailed in Note 8. Exploration and evaluation expenditure amounted to TUSD 11,014 (2019: TUSD 21,216) and are detailed in Note 9.

Total expenditures incurred during the year were as follows:

(TUSD)	Brazil	USA	Oman	Total
Acquisition	–	4,538	–	4,538
Development	25,562	1,508	–	27,070
Exploration and evaluation	–	448	10,350	10,798
	25,562	**6,494**	**10,350**	**42,406**

Acquisition

On 31 March, 2020, Maha acquired certain oil producing assets in the Illinois Basin, USA, adding 3,826 net acres of oil and gas leases to Maha's USA footprint. This is a low risk conventional oil play that requires low cost drilling and stimulation operations. This acquisition was accounted for as an asset acquisition and the Company spent approximately USD USD 4.0 million and assumption of TUSD 319 in net current liabilities. In addition, Maha capitalized TUSD 151 in the transaction costs. See Note 8 for details.

Development

The 2020 development expenditures in Brazil mainly relates to drilling of the Tie-2 and Tie-3 wells, testing of Maha-1 well and upgrade of Tie and Tartaruga facilities. with Due to COVID–19, it was decided to delay the spud of the Tie-2 well by 6 months and hence the Company commenced drilling of the Tie 2 well (previously named TS-1) in September. The well was completed in both the Agua Grande and Sergi zones and the rig was released in December. The Tie-2 well was connected to the Tie production facilities in mid-December and has been producing under natural flow from both zones (comingled). The Tie 3 (previously named TS-2) was spudded on 18 December 2020 and completion activities are underway with the well expected to be onstream by the end of April 2021.

In the Tartaruga field, Maha-1 well testing operations commenced at the beginning of 2020. Unfortunately, due to the COVID pandemic, the Company elected to suspend testing during March 2020. Later in the fourth quarter, this testing resumed was completed. A total of four different sands were tested in the well. Two sands (P23/22) were tight and failed to flow any fluids, one sand (P19) flowed non-commercial amounts of oil and the P1 was rerouted to the Production Facilities to undergo further testing. Due to unexpected water cut, testing of the P1 took longer than anticipated. This well is now hooked up to the Tartaruga production facility to dewater the P1 and ascertain the origin of the produced water.

The Tie Production Facility was upgraded to handle up to 5 000 BOPD along with associated gas and water production. As the Tie field is not connected to a pipeline system, all oil is exported by trucks. The associated gas is separated and sold locally to two main gas customers (GTW and CDGN). During the Third Quarter of 2020, two 1,380 HP Ariel Gas Compressors units commenced operations and started to inject gas while simultaneously delivering conditioned gas to GTW and CDGN. Any excess gas produced at Tie can now be injected back into the reservoir affording significant operational flexibility and redundancy for Tie field oil production.

The Company's development capital in the Illinois Basin amounted to TUSD 1,508 for drilling of the three new wells. All three wells are at various stages of clean up, and once fully cleaned up these wells will add approximately 100–130 BOPD of additional production.

Exploration and Evaluation

The LAK Ranch heavy oil asset was shut in at the beginning of the 2020 COVID–19 Pandemic and will remain shut in until oil prices recover. Whilst the reserves valuation continues to point towards a full field development, with lower net present value at the current depressed oil prices, the Company has shut in the field until oil prices recover. This resulted in the impairment trigger as the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full as a result of decreases in forecasted commodity oil prices as at 31 December 2020. The Company recorded an impairment charge of USD 21 million during the current year. See Note 9 for details.

On 5 October 2020 the Company entered into an Exploration and Production Sharing Agreement ("EPSA") with the government of the Sultanate of Oman, for Block 70, an onshore block in Oman. The EPSA was subsequently ratified by Royal Decree of His Majesty the Sultan of Oman on 28 October 2020 and Maha became the operator of the block, holding a 100% working interest. Initial consideration for Block 70 was USD 10 million along with USD 0.3 million in certain annual payment obligations.

Deferred tax asset

In 2020, Maha recognized a deferred tax recovery of TUSD 4,594, increasing the deferred tax asset to 9,978 as detailed in Note 7. The Company determined that based on Brazil operating segment 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. The deferred tax asset has been recognized in respect of certain tax deductible temporary differences and estimated tax loss carry-forwards.

Other long term assets amounted to TUSD 432 (2019: TUSD 178) mainly relates to performance bonds and long term crude inventory in Brazil. Performance bonds represents the Company's financial guarantee to operate the lease in LAK Ranch area and Illinois Basin.

Current assets

Prepaid expenses and deposits amounted to TUSD 1,434 (2019: TUSD 1,255) and represented mainly prepaid operational and insurance expenditures. 2020 prepaid expenses increased due to prepaids and advances relating to certain capital projects.

Crude oil inventories amounted to TUSD 347 (2019: TUSD 414) from oil inventory in Brazil. Inventory amount decreased compared to last year mainly due to lower valuation of the inventory resulting from lower realized prices. At yearend Tartaruga field had inventory built up at the delivery terminal which was subsequently sold. Tartaruga's inventory is sold once it is loaded on the shipping vessels.

Accounts receivables amounted to TUSD 3,092 (2019: TUSD 4,739) and are detailed in Note 10. Trade receivables, which are all current, amounted to TUSD 1,600 (2019: TUSD 4,394) and included invoiced oil and gas sales.

Restricted cash amounted to not a significant amount (2019: TUSD 1,567) and includes cash related to bank guarantees and financial commitments. Restricted cash was reduced to not a significant amount during the year as Maha was able to eliminate all cash collaterals relating to work commitments and abandonment of future wells. Further details are in Note 25.

Cash and cash equivalents amounted to TUSD 6,681 (2019: TUSD 22,450) which is a significant decrease from the comparative period mainly due to TUSD 33,580 paid during the year on capital acquisitions and capital expenditure which was offset by TUSD 18,984 from operating activities. Cash balances are held to meet ongoing operational funding requirements, if required.

Non-current liabilities

The decommissioning provision amounted to TUSD 2,597 (2019: TUSD 2,175) and relates to future site restoration obligations as detailed in Note 15. Increase in the provision is related to the additional provision setup for the Illinois Basin and the two new wells drilled in Brazil as well as revisions of certain assumptions at year end.

The lease commitments amounted to TUSD 3,450 (2019: 380) and related to the long-term portion of the lease commitments. The lease commitments increased during the year because the Company entered into a 5-year lease agreement with Enerflex to lease 2 HP Ariel Compressors units. The short-term portion of the lease commitments was classified as current liability.

Other long-term liabilities and provisions amounted to TUSD 4,825 (2019: TUSD 7,812) and are detailed in

Note 17. Other long-term liabilities and provisions mainly include a provision for the minimum work commitments on certain exploration blocks acquired as part of the Tie Field Acquisition. In addition, a provision for labour and contractors' claims is also included. At year end 2020, minimum work commitment relating to Block 224 was considered payable in less than a year therefore it was classified as current provision. Provision for the minimum work commitments related to exploration Block 117 and Block 118 was still considered long term as the Company applied the ANP resolution which provided for the extension of the exploration program for another two years. Also, there was further reduction in the provision related to labour and contractors claims.

Current liabilities

The Bonds payable amounted to TUSD 36,022 (2019: TUSD 30,621) and are detailed in Note 14. Capitalised financing costs relating to the establishment costs of the Maha's Bonds are being amortised over the expected life of the Bonds. The bonds were classified as current liability as the bonds are set to mature on May 29, 2021.

Accounts payables amounted to TUSD 10,731 (2019: TUSD 4,533) and accrued liabilities amounted to TUSD 9,599 (2019: TUSD 2,406) and are detailed in Note 18. Accounts payable and accrued liabilities were higher in 2020 due to capital activity at year end relating to Tie-2, Tie-3 drilling and workover activities whereas 2019 year end had capital activity in the Tartaruga Block relating to Maha-1 well testing. In addition, minimum work commitment penalty relating to Block 224 was included in the current liability which was part of long-term provision in 2019. Current portion of the lease commitment amounted to TUSD 1,243.

Share data

	Shares outstanding	
Class	**31 December 2020**	**31 December 2019**
A	101,146,685	92,456,550
B	483,366	7,960,318
C2	–	–
Total	**101,630,051**	**100,416,868**

During 2020, a total of 949,853 warrants were exercised and the same number of new Class A shares were issued. Also, during the year 263,330 incentive warrants were converted to Class A shares. In addition, 7,476,952 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. There were no C2 options outstanding during the year.

During 2019, a total of 1,997,818 of warrants were exercised and the same number of new shares of class A were issued. In addition, 149,564 Class B shares were converted to Class A shares. Also, during the year remainder of 50,000 C2 options were exercised for which same number of Class A shares were registered and issued.

Cash flow

Cash flow from operating activities amounted to TUSD 18,984 (2019: TUSD 28,824), decrease from prior year mainly due to lower net back resulting from lower realized price and higher operating costs. Cash flow from investing activities amounted to TUSD -33,580 (2019: TUSD -27,210) mainly due to acquisition of Indiana Basin and Oman Block 70 exploration and evaluation assets. This also included TUSD 19,776 of cash capital expenditure on development of producing oil and gas properties during the year. Cash flow from financing activities amounted to TUSD 492 (2019: TUSD 1,412) and mainly relates to cash received from the exercise of warrants offset by the lease commitment payments during the year.

Liquidity and capital resources

The Company manages its capital structure to support the Company's strategic growth. The Company's objectives when managing its capital structure are to maintain financial flexibility, preserve access to capital markets, ensure its ability to finance internally generated growth and to fund potential acquisitions while maintaining the ability to meet the Company's financial obligations as they come due. The Company considers its capital structure to include shareholders' equity of USD 55.5 million (31 December 2019: USD 87.9 million) plus net debt of USD 29.3 million (31 December 2019: 8.2 million). On 31 December 2020, the Company's working capital deficit was USD 10.0 million (31 December 2019: USD 23.3 million surplus), which includes USD 6.8 million of cash (31 December 2019: USD 22.5 million) and nil of restricted cash (31 December 2019: USD 1.6 million). Maha considers working capital operational in nature, therefore, it excludes the current portion of the Bonds payables, which corresponds to financing activities of the Company.

The Company may adjust its capital structure by issuing new equity or debt and adjusting its capital expenditure program, as allowed pursuant to contracted work commitments. The Company does not have any externally imposed material capital requirements to which it is subject except for the Bond covenants (See Note 14). To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Bonds mature in May 2021 and Maha is compliant with all Bond covenants. On 4 February 2021, the Company signed a term sheet with Banco BTG Pactual S.A with experience in the Brazilian E&P sector for future financing to support the growth of the Company. On 31 March 2021, the Company entered into a binding agreement with Banco BTG Pactual S.A for USD 70 million financing. The Financing consists of a four-year senior secured term loan of USD 60 million (the "Term Loan") and a USD 10 million equity private placement (the "Private Placement") through issuance of 7,470,491 new shares, at a price of SEK 11.59 per share, representing a 10% discount to the last 15 days volume weighted average share price.

Legal matters

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

Health, Safety and the Environmental ("HSE")

Maha considers that oil and gas developments can and must be undertaken in a manner that is safe for employees, contractors, stakeholders, neighbors, and the environment. 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 – in that order. The Company actively monitors all operational sites and proactively encourages everyone to be mindful of all the Company's HSE Values. This is achieved through education, enforcement and reporting. Everyone working or visiting our sites have the right to stop work at any time to prevent potential HSE incidents occurring. Maha's HSE Values set the tone for how employees, contractors, stakeholders and the environment are approached.

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

Environment, Social, and Governance (ESG)

Through responsible operations and strategic planning, Maha seeks to create long-term value for all of its stakeholders. Thereby, Maha conducts its operations in a manner respects its workforce, neighboring communities, and the environment. Part of contributing to society and being a good global citizen must entail doing 'what is right', in addition to adhering to laws and regulations.

Environment

As part of the business culture, Maha implements the philosophy of being proactive rather than reactive in its environmental management. By preventing costly and impactful scope changes in development plans, Maha can anticipate and identify potential risks and reduce, if not eliminate, potential environmental and social impacts prior to them possibly happening. Proactive management can also address potential irreversible impacts and allow for decisions to be made on strategy and management, rather than responding out of necessity to a situation. Part of the proactive environmental management strategy is to maximize the use of all resources and reduce waste wherever economically possible. For example, Maha recycles or reinjects produced water at the facilities, which not only reduces having to find water from another source, but also reduces wastewater treatment requirements. In Brazil, Maha is reducing the release of natural gas by using the waste gas from oil production to generate electricity.

Social

Maha values the relationship with its employees, community members, and other stakeholders. Therefore, efforts are made to engage with its employees and local communities in a transparent and respectful manner. Additionally, Maha seeks to ensure local communities benefit from its operations, both directly and indirectly. Direct hiring and encouraging subcontractors to hire local suppliers wherever possible is a way for Maha to contribute to the local communities and economy. Maha has also connected with Local Community Associations to maintain an open and transparent dialogue with the communities near its operations.

Governance

Maha has a zero-discrimination tolerance and is committed to promote equal opportunities for employees. Additionally, personal and business ethics are taken seriously at Maha and underlie all the regulations in Corporate Governance. Part of Maha's Corporate Governance is that Maha does not tolerate any form of corrupt practices and has in place Corporate Governance Policies that clearly define how business must be conducted. The best way to prevent corruption is through transparency – one of our core values. The Company has established a Code of Business Conduct and Anti-Corruption policies for all its employees, contractors, and workers to adhere to. All of Maha's Corporate Governance policies, procedures and guidelines are readily available to employees.

Related Party Transactions

The Company did not enter into any material transactions with related parties in 2020 and 2019. See Note 26 for details.

Sustainability Report

Maha Energy has issued a Sustainability Report, which is separate from the Administration Report. The Sustainability Report is available on the Company's website.

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 two employees.

The net result for the Parent Company for 2020 amounted to TSEK -258,342 (2019: TSEK -43,953) which is lower than the comparative period mainly due to impairment of investments in subsidiaries and certain intercompany loans which resulted from the LAK Ranch E&E assets impairment. In addition, the Parent Company had foreign exchange loss in 2020 due to US Dollar strengthening against the Swedish Krona and higher general and administrative costs resulting from main market listing related costs. The result includes general and administrative expenses of TSEK 13,360 (2019: TSEK 6,022), foreign currency exchange loss of TSEK 22,906 (2019: 1,514 gain), net finance costs of TSEK 24,828 (2019: TSEK 21,358), impairment of investment in subsidiaries and loans of TSEK 202,748 (2019: TSEK 18,683) and group contribution of TSEK 5,500 (2019: 596).

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 179,068,211 including the net result for the year of SEK (258,341,441) be brought forward as follows:

(SEK)	
Dividend	–
Carried forward	179,068,211
Total (SEK)	**179,068,211**

Risk Management

The Company is engaged in the exploration, development and production of oil and gas and its operations are subject to various risks and uncertainties which include but are not limited to those listed below. The risks and uncertainties below are not the only ones that the Group faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations of the Company and cause the price of the Mahas' shares to decline.

A detailed analysis of Maha's financial risks and mitigation of those risks through risk management are detailed in Note 21.

COVID-19

The COVID–19 virus and the restrictions and disruptions related to it have had a drastic adverse effect on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally, including the Maha's common shares. There can be no assurance that these adverse effects will not continue or that commodity prices will not decrease or remain volatile in the future. These factors are beyond the control of the Company and it is difficult to assess how these, and other factors, will continue to affect the Company and its common shares. The current and any future COVID–19 outbreaks may increase the Company's exposure to, and magnitude of, each of the risks and uncertainties identified. Even after the COVID–19 outbreaks have subsided, the Company may continue to experience materially adverse impacts to the business because of the global economic impact. The Company will continue to monitor this situation and will work to adapting its business to further developments as determined necessary or appropriate.

Non financial risks

Volatility in oil and gas commodity prices

Prices for oil and natural gas are subject to large fluctuations with a variety of factors. These factors include, but are not limited to: the economic conditions in the United States, Brazil, Canada, the Sultanate of Oman, Europe and other key markets; governmental regulation; political stability in the Middle East, Northern Africa and elsewhere; risks of supply disruption; natural disasters; terrorist attacks; the availability of alternative fuel sources; and the actions of the Organization of Petroleum Exporting Countries ("OPEC") and other major oil producing countries affecting the global output of oil and natural gas. In recent years OPEC and associated countries have, from time to time, agreed to voluntary production limitations, and Oman has in the past participated in such agreements. If Oman agrees to voluntary production limitations this may have an adverse effect on the Company's future oil and gas production and sales from Oman. Prices for oil and natural gas are also subject to the availability of foreign markets and the Company's ability to access such markets. Because of lower prices or an increase in production costs, the economics of producing from some wells may change, which could result in reduced production of oil or natural gas and/or a reduction in the economic volumes of the Company's reserves.

All the factors listed above could result in a material decrease in the Company's expected net production revenue and a decline in its oil and natural gas acquisition, development and exploration activities. Any substantial and/or extended decline in the price of oil and natural gas would have an adverse effect on the Company's revenues, profitability and cash flows from operations and could also affect the Company's ability to obtain equity or debt financing on acceptable terms. In addition, volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties.

Concentrated production in a small number of fields in two jurisdictions

The Company's current production of oil and gas is currently concentrated in two oil producing fields in Brazil and two oil producing fields in the United States (however pre-commercial production from the LAK Ranch has temporarily been suspended due to depressed oil price).. As a result of these concentrations, the Company is disproportionately exposed to the effect of regional supply and demand factors, delays or interruptions of production from wells in these areas caused by governmental regulation, availability of equipment, equipment failure, interruptions of facilities, personnel or services market limitations, weather events, or interruption of the processing or transportation of oil. Additionally, the Company may be exposed to risks, such as changes in field-wide rules and regulations that could cause the Company to permanently or temporarily close the wells within these fields. These risks may, if materialized, adversely affect the Company's ability to conduct its operations in one or several of these fields, which could have a material adverse effect on the Company's results and financial position.

Exploration, development and production risks

Exploration for and development of oil and gas involves many risks, such as risks associated with expenditures made on future exploration by the Company which may not always result in discoveries of oil in commercial quantities, or commercial quantities of oil may not at all be discovered by the Company. The Company currently has six concession agreements in Brazil in the exploration phase (RECT-T 155, REC-T 129, REC-T 142, REC-T 224, REC-T 117, and REC-T 118), and one in the Sultanate of Oman (Block 70). It is difficult to project the costs of implementing an exploratory drilling program due to the uncertainties associated with drilling in unknown formations. The costs are associated with various drilling conditions, such as over pressured zones and equipment that might get lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or new interpretations of seismic data. Future oil exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not necessarily assure a profit on the investment or recovery of drilling, completion and operating costs.

Risks related to gathering and processing facilities and general infrastructure.

The Company is dependent on available and functioning infrastructure relating to the properties on which it operates, such as roads, power and water supplies, and gathering systems for oil and gas. Depending on the area in which the Company operates, certain infrastructure and services commonly associated with petroleum operations may not be readily available. With respect to the Company's operations in Brazil, certain oil and gas services that would commonly be readily available to an operator may need to be brought from a considerable distance within Brazil and potentially another country. The Company's business in Brazil is further highly dependent on road transportation and truck drivers with respect to transportation of the production output which may subject the delivery of the production to road conditions and drivers' strikes. If any infrastructure or systems failures occur or do not meet the requirements of the Company, this could result in delayed, postponed or cancelled petroleum operations, lower production and sales and/or higher costs, and result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production.

Dependency on counterparties

The Company is dependent on a few important counterparties, where the agreements with Petrobras and Dax Oil Refino S.A. ("Dax") regarding oil offtake at the oil producing Tie and Tartaruga fields and the agreements with GTW Geração e Serviços Ltda. ("GTW"), and CDGN Logistica S.A. ("CDGN") regarding gas sales, are the most material. These counterparties represent 98 per cent of the Company's total revenue value from customers. Currently there are no viable options to these counterparties in the short-term, and a loss of any of these material counterparties is expected to be particularly costly and time-consuming and would also lead to a certain period of adjustment to such new circumstances. There is further a risk that these counterparties will change their terms or increase their prices which would result in weakened margins for the Company. There is also a risk that these counterparties will encounter difficulties in providing services due to a shortage of raw materials, strikes, damage, financial difficulties or other circumstances that affect the counterparty. If the risks would actualise, this may adversely affect the Company's possibility to deliver products to end customers, and lead to increased costs as well as delays and/ or non-delivery, which could have an adverse impact on the Company's operations and, indirectly, on the Company's net sales.

Environmental and climate change

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of laws and regulations in the different jurisdictions where the Company operates. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned, decommissioned and reclaimed in a certain way to satisfy applicable regulatory authorities. Environmental regulations are expected to become more stringent in the future, and costs are expected to increase. Failure to comply with any such environmental regulations or any undertakings imposed on the Company might entail civil, administrative and criminal sanctions.

The Company's operations are located in regions where there are numerous environmental regulations including restrictions on where and when oil and gas operations may occur, regulations on the release of substances into groundwater, atmosphere and surface land and the location of production facilities. There is currently a federal conservation area, created to protect sea turtle nesting areas, close to the Company's Tartaruga field operations. Because of this reserve, there is a possibility for a drilling ban from September to April, which may limit the Company's exploitation opportunities. The geographical boundaries of such conservation unit as well as the activities to be allowed therein are currently being questioned through a Public Civil Action filed by the Federal District Attorney's Office. The Company is not a party to the proceedings but its result might affect and restrict the Company's Tartaruga field operations. In addition, there is a risk that other areas the Company operates in may be subject to similar regulations in the future which would restrict the ability for the Company to conduct its operations.

Changes in environmental legislation can result in a curtailment of production, and require significant expenditures, e.g. regarding production, development and exploration activities. In addition, a breach of applicable environmental regulation or legislation may result in liabilities such as the recovery of the damages, the imposition of fines and penalties, some of which may be material, and/or restrictions or cessation of operations. The legislative framework in the jurisdictions where the Company operates regarding the environment features items such as strict liability and joint, and several liability with regard to joint venture operations. Furthermore, environmental legislation is continuously evolving at regional, national and international levels in a manner which may result in stricter standards, larger fines and greater liability as well as potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. A decrease in production, an increase in costs, fines and/or liabilities may have a material adverse effect on the Company's business, results and financial position.

Decommissioning

The Company has assumed certain obligations in respect of the decommissioning of its fields and related infrastructure in all operating areas of the Company. In some cases, these liabilities are derived from legislative and regulatory requirements, and in other cases, these liabilities can also be contractual obligations. In Brazil, such requirements are still under discussion and waiting for approval by the ANP, concerning the decommissioning of wells and production facilities and require the Company to make provision for and/or underwrite the liabilities relating to such decommissioning. The Company's accounts make a provision for such decommissioning costs based on the management's estimate in accordance with applicable accounting standards but there is a risk that the actual costs of decommissioning exceed the amount of the long-term provision set aside to cover such decommissioning costs. The Company's decommissioning provision amounted to TUSD 2,597 as per 31 December 2020, which includes all wells and facilities in Brazil and the USA. In addition, the Company may be required to decommission wells that have not reached the end of their service life as a result of e.g. regulatory requirements. These risks may, if materialized, have a material adverse effect on the Company's business and result. In addition, local or national governments and lessors of oil and gas leases may require the Company to provide cash-back guarantees, blocked cash deposits or similar upfront payments and escrow relating to future decommissioning costs which would affect the Company's liquidity.

Financial risks

Management estimates and assumptions

In preparing consolidated financial statements in conformity with IFRS, estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. Actual results for all estimates could differ materially from the estimates and assumptions used by the Company, which could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and future prospects.

Credit risk

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, customers, and other parties. The decrease in commodity prices as a result of the COVID–19 pandemic can potentially also increase the credit risk associated with the Group's customers. Currently, the Company has entered into a Joint Operating Agreement regarding the Tartaruga field with Petrobras. Furthermore, oil sales in Brazil are made through Petrobras and a private refinery, Dax Oil. Historically, Petrobras and Dax Oil have fulfilled their payment obligations. Crude oil sales made to Dax Oil are prepaid, but occasional credit is extended to the customer during long weekends or public holidays. The Company receives payment 30 days in arrears from Petrobras. In the USA, the Company markets and sells its oil through Country Mark (Illinois Basin) and Mercurie (LAK Ranch) and receives payment 30 days in arrears. In the USA, historically, the Company has always received full payment. The Company's financial position may be materially adversely affected in the event such partners fail to meet their contractual obligations to the Company.

A portion of the Company's cash is held by banks in foreign jurisdictions where there could be increased exposure to credit risk. In the event the Company's counterparty does not fulfill its obligations in accordance with agreements, this could adversely affect the Company's business, financial position and results.

Liquidity and Refinancing Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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. Management relies on cash forecasting to assess the Company's cash position based on expected future cash flows. The Company has outstanding bonds amounting to approximately USD 34 million. The terms of the bonds contain provisions which limit the Company's ability to make certain payments and distributions (such as paying dividends), incur additional indebtedness, make certain disposals of, provide security over its assets or engage in mergers or demergers. According to the bonds' terms, the Company is further required to meet certain maintenance covenants. If the Company would fail to comply with any of the maintenance covenants, all of the outstanding bonds may be declared immediately due and payable together with any other amounts payable. The Company may redeem all of the bonds prior to maturity or repurchase any bonds. The Company has current assets of approximately USD 21 million. The bonds are due 29 May 2021 and there is a 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.

Refinancing risk is the risk that financing cannot be obtained or renewed on expiry of its term or can only be obtained or renewed at significantly increased costs. There is a risk that additional capital cannot be obtained or can only be obtained at unfavorable terms and conditions.

Foreign currency exchange rate risk

The Company is exposed to changes in foreign exchange rates as expenses in foreign subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. 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 ("USD"). Majority 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. Further, with regards to BRL, there is a risk of inflation or hyper-inflation.

Foreign exchange controls in Brazil

In the event the operations in Brazil require financing, exchange controls could be in place that restrict such financing. The Brazilian government requires that the Company registers inflows and outflows of funds with the Brazilian Central Bank. In Brazil, all transactions must be effected in the country's local currency. Future exchange controls in Brazil could prevent the Company from transferring funds abroad, which could impede the Company's ability to conduct its operations in Brazil, and lead to decrease or the loss of earnings from this market. In addition, exchange controls could affect the dividends the Company receives from its subsidiary in Brazil. The above could have an adverse effect on the profitability of the Company's operations in Brazil.

Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Swedish Corporate Governance Code and has been subject to a review by the Company's statutory auditor.

The Company is not aware of any deviations from the Code, 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.

Maha Energy AB (publ), company registration number 559018-9543, has its corporate head office at Strandvägen 5A SE-114 51 Stockholm, SWEDEN and the registered seat of the Board of Directors is Stockholm, Sweden. The Company's website is www.mahaenergy.ca.

This 2020 Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act and the Code. It explains how Maha has conducted its corporate governance activities during 2020.

As a Swedish public company listed on Nasdaq Stockholm (under symbol MAHA-A) Maha Energy is subject to the Rule Book for Issuers of Nasdaq Stockholm which can be found on www.nasdaqomxnordic.com. In addition, the Company abides by principles of corporate governance found in several internal and external documents to build trust on how Maha responsibly conducts its business.

External and Internal governance framework

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

Maha adheres to both the internal and external rules for Corporate Governance principles; thus, decreasing potential risks associated with unclear individual and company responsibilities and avoiding conflicts of interests between its shareholders, managers, and board of directors.

External Corporate Governance Rules

The Annual Accounts Act
The Exchange Rules for Issuers
NASDAQ Rules and Regulations
The Swedish Companies Act
Swedish Code of Corporate Governance
Statements of the Stock Market Committee

Internal Corporate Governance Rules

Anti-Corruption Policy
Articles of Association
Code of Conduct
Company Policies, Guidelines, and Procedures
Corporate Governance Policy
Health, Safety, and Environment Policy
Internal Control and Risk Management

Swedish Code of Corporate Governance ("the Code"). The Code is published on www.bolagsstyrning.se, where a description of the Swedish Corporate Governance model can be found.

Swedish Corporate Governance Code

The Swedish Corporate Governance Code is based on the tradition of self- regulation and the principle of "comply or explain". It acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act, EU rules and other regulations such as the Rule Book for Issuers and good practice on the securities market. The Corporate Governance Code can be found on www.bolagsstyrning.se. A revised version of the Corporate Governance Code applies as of 1 January 2020.

Shareholders

The Company's shares (MAHA-A) are listed on Nasdaq Stockholm. At year-end 2020 the share capital amounted to TSEK 1,117,930, represented by 101,630,051 shares, of which 101,146,685 were Class A shares and 483,366 were class B shares. All shares represent one vote each. At 31 December 2020, the number of shareholders was 11,207 (7,044). Of the total number of shares, foreign shareholders accounted for approximately 31.80 percent. Kvalitena AB is the only shareholder with a holding in excess of 10 percent of shares and votes, with a holding of 21,288,327 shares representing approximately 20.95 percent of shares and votes. For further information on share, share capital development and shareholders, see page 44 and the Company's website.

Annual General Meeting

According to the Swedish Companies Act (2005:551), the general meeting is the Company's highest decision-making body. At the general meeting, the shareholders exercise their voting rights in key issues, such as changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the board of directors and the CEO and Managing Director, the appropriation of profit or loss and the principles for the appointment of the nomination committee. The Annual General Meeting ("AGM") must be held within six (6) months of the close of the fiscal year. The Company calls the meeting through announcements in the Swedish Official Gazette, the Svenska Dagbladet and published on the Company's website.

Right to attend AGMs
All shareholders who are listed in the share registry on the record date, and who have notified the Company of their participation in due time, are entitled to participate in the AGM. Shareholders of Class A and B shares are entitled to exercise their respective voting rights in accordance with the description above (Shareholders).

Annual General Meeting 2020
The 2020 AGM was held on 27 May 2020 at Setterwalls Advokatbyrå's offices at Sturegatan 10 in Stockholm, Sweden. The AGM was attended by 5 shareholders, personally or by proxy, representing 4.75 percent of the share capital. The Chairman of the Board, all Board members including the CEO and Managing Director were present, as well as the Company's auditor and the majority of the members of the Nomination Committee for the 2020 AGM. The members of the Nomination Committee for the 2020 AGM were also present. Under the Articles of Association and Swedish law, the AGM must address those matters listed below marked with "*".

The submissions and resolutions passed by the 2020 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 Company's funds available shall be carried forward and no dividends shall be paid for the last financial year;
- Resolution in respect of the members of the Board and the Managing Director's discharge from liability*;
- Resolution that the Board of Directors shall comprise of six (6) ordinary members and no deputy members;
- Determination of the fees payable to the members of the Board and the auditors*;
- Election of members of the Board and auditors*;
- Resolution on a policy for remuneration to the senior executive;
- 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. 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;
- Resolution on changes to the articles of association regarding the removal of shares classes C1 and C2.

Annual General Meeting 2021
The Annual General Meeting (AGM) of Maha Energy AB (publ) will be held on 27 May 2021 in Stockholm, Sweden.

Nomination Committee and its Function
The duties of the nomination committee include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for board members and the auditor. The composition of the nomination committee is publicly announced at least six months ahead of the AGM.

In accordance with the Nomination Committee proposal approved by the 2020 AGM (proposal not to change the principles for the appointment of and instructions regarding a nomination committee adopted at the Annual General Meeting in 2019), the Nomination Committee for the 2021 AGM consists of members appointed by three (3) of the largest shareholders of the Company based on shareholdings as at 30 September 2020 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 25 November 2020 (within the time frame of six (6) months before the AGM, as prescribed by the Code). Henrik Moren is the Chairman of the Nomination Committee.

The Nomination Committee for the 2021 AGM consists of:

- Jonas Vestin, appointed by Kvalitena AB
- Henrik Moren, appointed by Jonas Lindvall
- Ronald Panchuk, representing himself
- Harald Pousette, Chairman of the Company's Board

The Nomination Committee Report, including the final proposals to the 2021 AGM, is published on the Company's website at the same time the Notice of the AGM is given. During 2020, the Nomination Committee has met and conferenced one (1) time 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 2021 AGM for consideration):

- Number of members of the Board of Directors
- Remuneration to the Chairman of the Board of Directors, the other members of the Board of Directors and auditors respectively
- Election of auditors
- Remuneration, if any, for committee work
- The composition of the Board of Directors
- Chairman of the Board

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 ongoing work.

The Board and its work

Board composition

After the general meeting, the board of directors is the highest decision-making body. According to the Swedish Companies Act, the board of directors is responsible for the organisation and management of the company's affairs, which means that the board of directors is responsible for, among other things, establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assessing the company's financial position and evaluating the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given to the company's shareholders, that the company complies with laws and regulations and that the company develops and implements internal policies and ethical guidelines. Moreover, the board of directors is responsible for ensuring that annual reports and interim reports are prepared in a timely matter. The board of directors also appoints the company's CEO and Managing Director and determines its salary and other compensation.

The members of the board of directors are elected annually at the annual general meeting for the period until the end of the next annual general meeting. 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. The Company aims to promote diversity at all levels of the Company as such a Board seat was offered to a female candidate who turned it down. Currently, the Company's Board consists of 6 ordinary members, appointed until the end of the next annual shareholders' meeting. The composition of the Board of the Company changed at the 2020 AGM. The current Board is as follows: Mr. Harald Pousette (Chairman), Mr. Jonas Lindvall, Mr. Anders Ehrenblad, Mr. Fredrik Cappelen, Mr. Nick Walker and Mr. Seth Lieberman (see bios in section "The Board of Directors and Management").

During 2020, 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 major shareholders
Harald Pousette	2017	Chairman	1965	Swedish	Yes	No
Anders Ehrenblad[1]	2013	Member	1965	Swedish	No	Yes
Jonas Lindvall[2]	2013	Member	1967	Swedish	No	Yes
Nick Walker	2019	Member	1962	British	Yes	Yes
Fredrik Cappelen	2020	Member	1962	Norwegian	Yes	Yes
Seth Lieberman	2020	Member	1961	United States	Yes	No

Rules of Procedure

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

1 *Anders Ehrenbald was until 2019 the deputy Managing Director of Maha for Swedish law purposes, but performed no formal and informal management roles and received no compensation ties to this position. Currently, Anders holds position in multiple subsidiary entities of Maha and receives limited yearly compensation from Maha tied to these positions.*

2 *Jonas Lindvall is also Managing Director of the Company.*

Board's Yearly Work Cycle

Q1 / Q2 Activities:

- Approval of the year end report
- Approval of the Annual Report
- Review of the auditor's report
- Approval of the Policy on Remuneration for submission to the AGM
- Determination of the AGM details and approval of the AGM materials
- Audit Committee report regarding the first quarter report
- Annual business development report and performance assessment
- Meeting with the auditor without management present to discuss the audit process, risk management and internal controls
- Review of the Rules of Procedure

Q3 / Q4 Activities:

- Executive session with Group management
- Adoption of the budget and work programme
- Consideration of the Board self-evaluation to be submitted to the Nomination Committee
- Audit Committee report regarding the second and third quarter report
- Performance assessment of the CEO and Managing Director
- Consideration of the performance review of Group management and Compensation Committee remuneration proposals
- Detailed discussion of strategy issues
- In-depth analysis of the Company's business
- Adoption of the half year report
- Evaluation of systems for internal controls
- Insurance for Board

The Board's work in 2020

During 2020, the Board held 5 meetings Attendance at the meetings are shown in the table below. Board secretary was the Company's CFO. Prior to each meeting, Board members were provided with an agenda and written information on the matters to be covered. Each meeting has included the possibility to discuss without management representatives being present. The Company's Auditor also met at least once with the board or respective board committee.

Pre 27 May 2020 AGM

Board Member	Board	Attend	Audit Committee	Attend	Compensation Committee	Attend	Reserves Committee	Attend
Harald Pousette	*	3/3	*	2/2				
*Anders Ehrenblad	*	3/3	*	2/2				
Jonas Lindvall	*	3/3					*	1/1
Nick Walker	*	3/3	*	2/2			*	1/1

Post 27 May 2020 AGM

Board Member	Board	Attend	Audit Committee	Attend	Compensation Committee	Attend	Reserves Committee	Attend
*Harald Pousette	*	2/2	*	2/2				
Anders Ehrenblad	*	2/2	*	2/2	*	1/1		
Jonas Lindvall	*	2/2					*	1/1
Nick Walker	*	2/2			*	1/1	*	1/1
Fredrik Cappelen	*	2/2	*	2/2			*	1/1
Seth Liberman	*	2/2	*	2/2	*	1/1		

Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain matters, the Board has formed three (3) committees: Audit Committee; Remuneration 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 2020 AGM for the period up to and including the 2021 AGM, consisting of Harald Pousette as Chairman, Anders Ehrenblad, Seth Lieberman and Fredrik Cappelen as members. The Committee convened four (4) times during 2020.

The Audit Committee is a supervisory body within the Board of Maha. The Audit Committee shall ensure compliance with the Board's monitoring responsibilities pertaining to financial reporting, risk management and assessing the efficiency of the Company's internal controls over financial reporting. The Audit Committee shall thereby, in particular, contribute to sound and regular financial reporting to ensure the market's trust in Maha. The Audit Committee shall furthermore regularly liaise with the Company's external auditors as part of the annual audit process and review their fees, as well as the auditors' qualifications, independence and impartiality. The Audit Committee shall also ensure that good communication is maintained between the Board and the external auditor(s).

Remuneration Committee

The Board established a remuneration Committee for the period up to and including the 2021 AGM, consisting of Anders Ehrenblad as Chairman, Nick Walker and Seth Lieberman as members. The Committee convened one (1) times during 2020.

Remuneration Committee is a preparatory body within the board of directors with the main duties to prepare resolutions to be adopted by the board of directors pertaining to matters regarding remuneration principles, remuneration and other terms of employment for executive management; monitor and evaluate current and during the year finalized programs for variable compensations for the executive management, and monitor and evaluate the compliance with the guidelines for remuneration for the executive management which the general meeting by law shall adopt, and applicable remuneration structures and remuneration levels in the Company. The work of the Remuneration Committee is governed by established rules of procedures that have been set by the Board of Directors.

Reserves/HSE Committee

The Board established a Reserves/HSE Committee after the 2020 AGM for the period up to and including the 2021 AGM, consisting of Nick Walker, Chairman, Fredrik Cappelen and Jonas Lindvall. The Committee convened two (2) times during 2020.

The Reserves & HSE Committee is responsible for the following functions:

- assist the Board in fulfilling its oversight responsibilities generally with respect to the oil and natural gas reserves evaluation process of the Corporation and public disclosure of reserves data and related information in connection with the Corporation's oil and gas activities;
- evaluation of and recommendation on appointment of independent qualified reserve auditor, oversight of the reserves audit process,
- developing, implementing and monitoring policies, standards and practices of the Company with respect to matters concerning health, safety and environment, including public disclosures

Remuneration of Board members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, except for the CEO and Managing Director, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes. The Policy on Remuneration approved by the AGM also comprises remuneration paid to Board members for work performed outside their directorships.

The 2020 AGM resolved that remuneration of the chairman of the Board of Directors shall be TSEK415 per annum and of the other members TSEK 300 per member per annum. Remuneration is not paid for service of the Boards or directors of subsidiaries. Jonas Lindvall, who is employed by Maha, does not receive any remuneration for his service on the Board of Directors. Annual fee for committee members is TSEK 40 per committee assignment. The annual fee for the chairman of the audit committee, chairman remuneration committee and reserve and health, safety and environment committee is TSEK 60. Further, if a member of the Board of Directors, following a resolution by the Board of Directors, performs tasks which are outside the regular Board work, separate remuneration will apply.

Management

The executive management in Maha throughout 2020 has consisted of the Managing Director and Chief Operating Officer (Jonas Lindvall), the Chief Financial Officer (Andres Modarelli), the Vice President of Operations (Alan Johnson), the Vice President of Exploration and Production (Jamie McKeown) and the Manager of Investor Relations and Deputy Managing Director (Victoria Berg). The Board of Directors has adopted an instruction for the Managing Director which clarifies the responsibilities and authority of the Managing Director. According to the instruction, the Managing Director shall provide the Board of Directors with decision data to enable the Board to make well-founded decisions and with documents to enable it to continually monitor the activities for the year. The Managing Director is responsible for the day-to-day business of the Company and shall take the decisions needed for developing the business – within the legal framework, the business plan, the budget and the instruction for the Managing Director adopted by the Board of Directors as well as in accordance with other guidelines and instructions communicated by the Board of Directors.

Remuneration for Management

Salary and other terms and conditions shall enable Maha to attract and retain competent Management Persons. The remuneration for Management Persons may consist of fixed salary, variable remuneration, pension, other benefits and share related incentive programs. Variable remuneration is to be linked to predetermined and measurable performance criteria, formulated with the objective to promote Maha's long-term value creation.

Remuneration policy to the executive management includes five elements:

Fixed salary

Management Persons employed by Maha shall be offered a market level fixed salary, commensurate with the international oil and gas sector, based on responsibilities, sector and time experience and performances. Salary shall be determined per calendar year with salary revision on 1 January each year. Management Persons, if active in Maha on a consultancy basis will be paid a market level consultancy fee, commensurate with the international oil and gas sector, based on responsibilities and performances for time spent.

Variable remuneration

The managing director and other Management Persons employed by Maha may from time to time be offered variable remuneration. Such variable remuneration eligibility shall be set forth in each Management Person's employment agreement. Maha's maximum cost of variable remuneration to Management Persons, including social security contributions, is to be accounted for in the Annual Report which shall be available prior to the Annual General Meeting of Shareholders.

Variable remuneration for the Management Persons shall primarily be based on Maha's result and the individual's performance. The Company's remuneration committee shall propose and evaluate goals for variable remuneration for Management Persons each year. The evaluation made by the remuneration committee shall be reported to the board of directors.

Share related incentive programs

The share related incentive program is designed to retain and attract long term qualified and committed personnel in a global oil and gas market setting. The program is available to select employees and is meant to re-occur annually. The number of share related options shall be in the middle range of listed companies in Sweden. Some Management Persons and Maha employees (including some of Maha's consultants) may participate in share related option programs in Maha. The programs is described in the annual report. The remuneration committee and the board of directors shall annually evaluate whether to propose share related incentive programs at the Annual General Meeting.

Pension

The Pension benefits comprise of a defined contribution scheme with premiums calculated on the full basic salary. The Pension contributions shall be in relation to the basic salary and is set on an individual basis but shall not be higher than what is tax deductible. The Company will, at the minimum, follow statutory requirements for Pension contributions in each applicable jurisdiction it operates.

Termination and severance payment

The Company are bound by individual employment agreements where severance obligations are common for Management Persons. Additionally, the Company abides by statutory severance obligations in the countries it operates. Redundancy payment, apart from salary, during the period of termination notice is not allowed.

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

External Auditors

At the 2020 AGM and for the period until the conclusion of the next Annual General Meeting the accounting firm Deloitte AB was elected as Maha's independent auditor. The Auditor in charge is Fredrik Jonsson.

Financial Reporting and Internal Controls

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

Internal Controls

While the Board (with assistance from the Audit Committee), in accordance with the Swedish Companies Act, has the ultimate responsibility for the internal controls over the Company's financial reporting; front line responsibility for such is with the CEO and 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 the United States and Brazil. 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.

Information and Communication

The Board has adopted an Information and Communication Policy 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 controls are in place for the identified areas of risk related to financial reporting activities.

Financial Statements

Consolidated Statement of Operations

For the Financial Year Ended 31 December

(TUSD) except per share amounts	Note	2020	2019
Revenue			
Oil and gas sales	4	39,018	55,589
Royalties		(5,829)	(7,449)
		33,189	**48,140**
Cost of sales			
Production expense	3	(9,666)	(6,601)
Depletion, depreciation and amortization	8	(5,624)	(5,671)
Gross profit		**17,899**	**35,868**
General and administration	5	(5,939)	(5,464)
Stock-based compensation	12	(338)	(207)
Exploration and business development costs		(208)	(802)
Impairment of exploration and evaluation assets	9	(21,000)	–
Foreign currency exchange (loss) gain		(245)	159
Other income (loss)		1,066	(370)
Operating result		**(8,765)**	**29,184**
Net finance costs	6	(4,982)	(4,476)
Result before tax		**(13,747)**	**24,708**
Current tax expense	7	(1,106)	(2,636)
Deferred tax recovery (expense)	7	4,594	(2,418)
Net result for the year		**(10,259)**	**19,654**
Earnings per share basic	13	(0.10)	0.20
Earnings per share diluted	13	(0.10)	0.18
Weighted average number of shares:			
Before dilution		101,357,757	99,287,171
After dilution		106,478,943	107,943,095

Consolidated Statements of Comprehensive Earnings

For the Financial Year Ended 31 December

(TUSD)	Note	2020	2019
Net result for the year		**(10,259)**	**19,654**
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	2	(23,324)	(2,902)
Comprehensive result for the year		**(33,583)**	**16,752**
Attributable to:			
Shareholders of the Parent Company		**(33,583)**	**16,752**

Consolidated Statement of Financial Position

For the Financial Year Ended 31 December

(TUSD)	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	8	91,045	76,243
Exploration and evaluation assets	9	11,014	21,216
Deferred tax assets	7	9,978	7,955
Other long-term assets		432	178
Total non-current assets		**112,469**	**105,592**
Current assets			
Prepaid expenses and deposits		1,434	1,255
Crude oil inventory		347	414
Accounts receivable	10	3,092	4,739
Restricted cash	25	–	1,567
Cash and cash equivalents	11	6,681	22,450
Total current assets		**11,554**	**30,425**
TOTAL ASSETS		**124,023**	**136,017**
EQUITY AND LIABILITIES			
Equity			
Share capital		122	122
Contributed surplus		66,120	64,840
Other reserves		(34,096)	(10,772)
Retained earnings		23,410	33,669
Total equity	12	**55,556**	**87,859**
Liabilities			
Non-current liabilities			
Bonds payable	14	–	30,621
Decommissioning provision	15	2,597	2,175
Lease liabilities	16	3,450	380
Other long-term liabilities and provisions	17	4,825	7,812
Total non-current liabilities		**10,872**	**40,988**
Current liabilities			
Accounts payable	18	10,731	4,533
Accrued liabilities and other	18	9,599	2,406
Current portion of lease liabilities	16	1,243	231
Bonds payable	14	36,022	–
Total current liabilities		**57,595**	**7,170**
Total liabilities		**68,467**	**48,158**
TOTAL EQUITY AND LIABILITIES		**124,023**	**136,017**

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December

(TUSD)	Note	2020	2019
Cash flow from operations			
Net result		(10,259)	19,654
Adjustments for:			
Depletion, depreciation and amortization	8	5,624	5,671
Impairment of exploration and evaluation assets	9	21,000	–
Stock based compensation	12	338	207
Accretion of decommissioning provision	15	108	116
Accretion of bonds payable	14	1,063	1,001
Interest expense	6	3,930	3,816
Current tax expense	7	1,106	2,636
Deferred tax expense	7	(4,594)	2,418
Unrealized foreign exchange amounts		567	(433)
Interest received		117	248
Interest paid		(3,930)	(3,772)
Income taxes paid		(2,556)	(2,022)
Changes in working capital	23	6,470	(716)
Cash flow from operations		**18,984**	**28,824**
Investing activities			
Asset acquisition (net of cash)	8	(4,152)	–
Capital expenditures – property, plant and equipment	8	(19,776)	(27,747)
Capital expenditures – exploration and evaluation assets	9	(10,798)	(587)
Restricted cash		1,146	1,124
Cash flow from investment activities		**(33,580)**	**(27,210)**
Financing activities			
Lease payments	16	(450)	(214)
Exercise of warrants, net of issuance costs	12	942	1,626
Cash flow from financing activities		**492**	**1,412**
Change in cash and cash equivalents		**(14,104)**	**3,026**
Cash and cash equivalents, beginning of year		22,450	20,255
Foreign exchange on cash and cash equivalents		(1,665)	(831)
Cash and cash equivalents at the end of the year		**6,681**	**22,450**

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 2019	**120**	**63,009**	**(7,870)**	**14,015**	**69,274**
Comprehensive result					
Result for the year	–	–	–	19,654	19,654
Currency translation difference	–	–	(2,902)	–	(2,902)
Total comprehensive result	**–**	**–**	**(2,902)**	**19,654**	**16,752**
Transactions with owners					
Stock based compensation	–	207	–	–	207
Exercise of warrants and options (net of issuance costs)	2	1,624	–	–	1,626
Total transactions with owners	**2**	**1,831**	**–**	**–**	**1,833**
Balance at 31 December 2019	**122**	**64,840**	**(10,772)**	**33,669**	**87,859**
Comprehensive result					
Result for the period	–	–	–	(10,259)	(10,259)
Currency translation difference	–	–	(23,324)	–	(23,324)
Total comprehensive result	**–**	**–**	**(23,324)**	**(10,259)**	**(33,583)**
Transactions with owners					
Stock based compensation	–	338	–	–	338
Exercise of warrants (net of issue costs)	–	942	–	–	942
Total transactions with owners	**–**	**1,280**	**–**	**–**	**1,280**
Balance at 31 December 2020	**122**	**66,120**	**(34,096)**	**23,410**	**55,556**

Parent Company Income Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2020	2019
Revenue		–	–
Expenses			
General and administrative	5	(13,360)	(6,022)
Foreign currency exchange (loss) gain		(22,906)	1,514
Operating result		**(36,266)**	**(4,508)**
Net finance costs	6	(24,828)	(21,358)
Impairment on investment in subsidiaries and loans	29,30	(202,748)	(18,683)
Group contribution		5,500	596
Result before tax		**(258,342)**	**(43,953)**
Income tax	7	–	–
Result for the year[1]		**(258,342)**	**(43,953)**

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

Parent Company Balance Sheets

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2020	2019
Assets			
Non-current assets			
Investment in subsidiaries	29	4,368	192,468
Loans to subsidiaries	30	471,839	365,139
		476,207	**557,607**
Current assets			
Loans to subsidiaries – current	30	–	7,358
Accounts receivable and other	10	116	243
Restricted cash		50	50
Cash and cash equivalents		7,292	152,115
		7,458	**159,766**
Total Assets		**483,665**	**717,373**
Equity and Liabilities			
Restricted equity			
Share capital		1,117	1,113
Unrestricted equity			
Contributed surplus		516,500	504,682
Retained earnings		(79,092)	(35,139)
Net result		(258,342)	(43,953)
Total unrestricted equity		**179,066**	**425,590**
Total equity		**180,183**	**426,703**
Non-current liabilities			
Bonds Payable	14	–	286,037
Current liabilities			
Accounts payable and accrued liabilities	18	7,658	4,633
Bonds Payable	14	295,824	–
		303,482	
Total liabilities		**303,482**	**290,670**
Total Equity and Liabilities		**483,665**	**717,373**

Parent Company Statement of Changes in Equity

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Restricted equity	Unrestricted equity		
	Share capital	Contributed surplus	Retained Earnings	Total Equity
Balance at 1 January 2019	1,091	487,374	(35,139)	453,326
Total comprehensive income	–	–	(43,953)	(43,953)
Transaction with owners				
Stock based compensation	–	1,955	–	1,955
Exercise of warrants (net of issuance costs)	22	15,353	–	15,375
Total transaction with owners	**22**	**17,308**	**–**	**17,330**
31 December 2019	**1,113**	**504,682**	**(79,092)**	**426,703**
Total comprehensive income	–	–	(258,342)	(258,342)
Transaction with owners				
Stock based compensation	–	3,143	–	3,143
Exercise of bond warrants (net of issuance costs)	10	6,928	–	6,938
Exercise of incentive warrants	3	1,747		1,750
C2 shares cancellation	(9)	–	–	(9)
Total transaction with owners	**4**	**11,818**	**–**	**11,822**
31 December 2020	**1,117**	**516,500**	**(337,434)**	**180,183**

Parent Company Cash Flow Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2020	2019
Cash flow from operations			
Net result		(258,342)	(43,953)
Adjustment for:			
Impairment on investment in subsidiary and loans		202,748	18,683
Accretion of bonds liability	14	9,787	9,464
Interest expense	6	36,000	36,000
Interest income		(20,959)	(24,075)
Unrealized foreign exchange		22,898	(1,520)
Interest paid		(36,000)	(36,000)
Changes in working capital		3,152	658
Total cash flow from operations activities		**(40,716)**	**(40,744)**
Cash flow from investing			
Investment in subsidiaries		(4,483)	(24,978)
Loan repayment by subsidiaries	30	57,494	127,879
Loans to subsidiaries	30	(163,121)	(63,951)
Total cash flow investing activities		**(110,109)**	**39,950**
Cash flow from financing			
Exercise of warrants, net of issue cost		8,679	15,376
		8,679	**15,376**
Change in cash during the year		**(142,146)**	**13,582**
Cash, beginning of the year		152,115	138,597
Foreign exchange on cash		(2,677)	(65)
Cash, end of the year		**7,292**	**152,115**

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019. (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, the United States and Oman. The head office is located at Strandvägen 5A, SE-114 51 Stockholm, Sweden. The Company's subsidiary, Maha Energy Inc., maintains its technical office at Suite 240, 23 Sunpark Drive SE, Calgary, Alberta, Canada T2X 3V1. The Company also has an office in Rio de Janeiro, Brazil and operations offices in Grayville, IL and Newcastle, WY, USA.

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

2. Accounting Policies

Basis of preparation

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

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

Changes in Accounting Policies and disclosures

During the year, the Company applied the amended accounting standards, interpretations and annual improvement points that are effective as of 1 January 2020. The application of the amendments did not have a material impact on the consolidated financial statements. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. As from 1 January 2019, the Company applied IFRS 16 Leases for the first time.

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

The purchase method of accounting is used to account for acquisitions of businesses and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values. If the consideration of acquisition given up is less than the fair value of the net assets received, the difference is recognized immediately in the Statement of Operations. If the consideration of acquisition is greater than the fair value of the net assets received, the difference is recognized as goodwill on the statement of financial position. Acquisition costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is 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.

There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Foreign currencies

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

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

Transactions and balances

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

Presentation currency

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

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

	December 31, 2020		December 31, 2019	
Currency	Average	Period end	Average	Period end
SEK / USD	9.209	8.212	9.454	9.341
BRL / USD	5.153	5.197	3.945	4.030

Segment reporting

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Oil and gas properties

Oil and gas properties are initially recorded at historical cost, where it is probable that they will generate future economic benefits. All costs for acquiring concessions, licenses or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalized on a field area cost center basis. This includes capitalization of decommissioning and restoration costs associated with provisions for asset retirement (see Note 15). Oil and gas properties are subsequently carried at cost less accumulated depreciation, depletion and amortization (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognized in income. Routine maintenance and repair costs for producing assets are expensed to the Statement of Operations when they occur. Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are off set against the related capitalized costs of each cost center with any excess of net proceeds over all costs capitalized included in the income statement.

Depreciation, depletion and amortization ("DD&A")

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

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

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

Exploration and evaluation assets ("E&E")

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

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

Impairment of non-financial assets

Oil and gas properties, E&E assets and Right-of-use ("ROU") assets are reviewed separately for indicators of impairment quarterly or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated as the greater of value-in- use ("VIU") and fair value less costs of disposal ("FVLCOD"). VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. FVLCOD is the amount that would be realized from the disposition of an asset or CGU in an arm's length transaction between knowledgeable and willing parties. For the Company, FVLCOD is based on the discounted after-tax cash flows of reserves and resources using forward prices and costs, consistent with independent qualified reserves evaluators and may consider an evaluation of comparable asset transactions.

E&E assets are allocated to a related CGU containing development and production assets for the purposes of testing for impairment. ROU assets may be tested as part of a CGU, as a separate CGU or as an individual asset.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Impairment losses on PP&E and ROU assets are recognized in the Consolidated Statements of Operations as additional DD&A or as an E&E asset impairment expense.

Impairment losses recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net earnings.

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.

Leases

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

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

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

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

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

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

Financial assets and liabilities

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

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

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

The Company recognises the following financial assets and liabilities:

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

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

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

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

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

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

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

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

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

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

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

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

Proceeds from sale of crude oil and natural gas prior to the commencement of commercial production are offset against capitalized costs for Company operations that are at the pre-production stage (Note 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.

Exploration costs
Costs incurred prior to obtaining the legal right to explore (pre-exploration costs) are expensed in the period in which they are incurred as exploration expense. Costs incurred after the legal right to explore is obtained are initially capitalized. If it is determined that the field/project/area is not technically feasible and commercially viable or if the Company decides not to continue the exploration and evaluation activity, the unrecoverable accumulated costs are expensed as exploration expense.

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

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

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

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

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

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

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

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

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

Critical accounting estimates and judgments
The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recorded in the period in which the estimates are revised.

The following are the key assumptions about the future and other key sources of estimation at the end of the reporting period that, if changed, could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

COVID–19 crisis
In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID–19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The COVID–19 pandemic had significant negative effects on economies of the jurisdictions where the Company operates, including a substantial decline in crude oil and natural gas product prices. Additionally, it resulted in volatility and disruptions in regular business operations, supply chains and financial markets as well as declining trade and market sentiment.

Maha has high quality, low-cost assets, that are well positioned in a low oil price environment. Nevertheless, during 2020 the Company took steps to defer capital activity and reduce spend to strengthen cash flow and liquidity. During March, operations at the LAK Ranch oil field were suspended and remains suspended as at 31 December 2020. The Company believes that measures it has taken will provide it with the financial capability to maintain its operations in safe and reliable manner and continue to challenge its cost structure.

The full extent of the impact of COVID–19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID–19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by Management in the preparation of its financial results. Changes to assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Estimates in oil and gas reserves

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

These techniques consider 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 8.

The Tartargua concession agreement expires in 2025 but provides mechanisms for extension based on the continued productivity of the field. In estimating the oil and gas reserves of the Tartaruga Block the Company used judgement in determining that such extension should be approved. The reserves as well as current and expected volumes assume that the extension will be granted. The net carrying amounts of the Tartaruga oil and gas assets are USD 26.2 million (2019: USD 28.0 million) as of 31 December 2020.

Impairment of oil and gas properties

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

Decommissioning provisions

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

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

Expenditures on exploration and evaluation assets

The application of the Company's accounting policy for expenditures on exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when exploration and evaluation assets are reclassified to Producing properties. In making this determination, various factors are considered, including the existence of reserves, and whether the appropriate approvals have been received from regulatory bodies and the Company's internal approval process. The Company's LAK field in the USA and Block 70 in Oman are considered exploration and evaluation properties. Even though the LAK field has been suspended, the Company intends to deploy future capital once the field is considered economic to develop again.

Exploration and evaluation assets impairment assessment requires management judgement, as these assets are subject to ongoing internal reviews to establish the technical feasibility and commercial viability of a project. Indicators of impairment or impairment reversals are based on management's assessments of the future recoverable value of the exploration and evaluation assets. Exploration and evaluation assets are aggregated into CGUs when assessing the recoverability. Determination of a CGU's recoverable amount is described above in impairment of oil and gas properties.

Deferred income tax assets

The Company accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12, Income Taxes, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. Management estimates future taxable profits based on the financial models used to value its oil and gas properties. Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized.

The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Company uses its best estimates and judgement, actual results could differ from these estimates.

Contingencies

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

Determining the lease term contracts with renewal and termination options

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

3. Segment Information

Operating segments are based on a geographic perspective and reported in a manner consistent with the internal reporting provided to the executive management. All prior period operating segment results have been adjusted to reflect the current presentation of the operating segments.

Brazil: Includes all oil and gas activities of exploration and production in Tie Field and Tartaruga Field in Brazil.

USA: Includes all oil and gas activities in the LAK Field and Illinois Basin in the USA.

Corporate: The Corporate segment aggregates costs incurred at the Company's corporate office in Sweden and the technical and support office in Canada as well as costs related to exploration activities in Oman. These operating segments have similar economic characteristics as they do not currently generate revenue.

Adjustments segment primarily includes consolidation adjustments and eliminations between segments.

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

(TUSD)	Brazil	USA	Corporate	Adjustments	Consolidated
31 December 2020					
Revenue	37,518	1,500	–	–	39,018
Royalties	(5,465)	(364)	–	–	(5,829)
Production and operating	(8,824)	(842)	–	–	(9,666)
Depletion, depreciation and amortization	(5,009)	(578)	(37)	–	(5,624)
General and administration	(811)	(302)	(4,826)	–	(5,939)
Stock-based compensation	–	–	(338)	–	(338)
Exploration and business development cost	–	(40)	(168)	–	(208)
Impairment	–	(21,000)	–	–	(21,000)
Foreign currency exchange loss (gain)	61	(63)	(4,367)	4,124	(245)
Other income	1,066	–	–	–	1,066
Operating results	**18,536**	**(21,689)**	**(9,736)**	**4,124**	**(8,765)**
Net finance costs	(2,266)	(20)	(2,696)	–	(4,982)
Current tax	(1,106)	–	–	–	(1,106)
Deferred tax	8,194	–	–	(3,600)	4,594
Net results	**23,358**	**(21,709)**	**(12,432)**	**524**	**(10,259)**

(TUSD)	Brazil	USA	Corporate	Adjustments	Consolidated
31 December 2019					
Revenue	55,589	–	–	–	55,589
Royalties	(7,449)	–	–	–	(7,449)
Production and operating	(6,601)	–	–	–	(6,601)
Depletion, depreciation and amortization	(5,570)	(88)	(13)		(5,671)
General and administration	(1,911)	(226)	(3,327)	–	(5,464)
Stock-based compensation	–	–	(207)	–	(207)
Exploration and business development cost	(471)	(331)			(802)
Foreign currency exchange loss (gain)	163	–	223	(227)	159
Other loss	(131)	–	(239)	–	(370)
Operating results	**33,619**	**(645)**	**(3,563)**	**(227)**	**29,184**
Net finance costs	(2,197)	(16)	(2,263)	–	(4,476)
Current tax	(2,636)	–	–	–	(2,636)
Deferred tax	(562)	–	–	(1,856)	(2,418)
Net results	**28,224**	**(661)**	**(5,826)**	**(2,083)**	**19,654**

(TUSD)	Assets		Liabilities	
	2020	**2019**	**2020**	**2019**
Brazil	103,130	94,043	59,469	45,427
USA	9,075	23,074	37,259	29,298
Corporate	91,566	77,080	51,487	31,613
Intercompany balance elimination	(79,748)	(58,180)	79,748	(58,180)
Total Assets/Liabilities	**124,023**	**136,017**	**68,467**	**48,158**
Shareholder's equity	–	–	55,556	87,859
Total equity	**–**	**–**	**55,556**	**87,859**
Total consolidated	**124,023**	**136,017**	**124,023**	**136,017**

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

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

4. Revenue

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

TUSD	2020	2019
Brazil		
Crude oil	37,104	54,930
Natural gas	414	604
Other	–	55
Brazil oil and gas sales	37,518	55,589
United States oil sales	1,500	–
Total revenue from contracts with customers	**39,018**	**55,589**

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

The Company had two main customers during 2020 (2019: two) that individually accounted for more than 10 percent of the Company's consolidated gross sales. Total sales to these customers for 2020 were approximately USD 37.0 million (2019: USD 41.2 million), which are included in the Company's Brazil operating segment. Approximately, 70 percent of the total revenue is contracted with one customer in the Brazil segment. There were no intercompany sales or purchases of oil and gas during the period.

The Company had no contract asset or liability balances during the period presented. As at 31 December 2020, accounts receivable included USD 1.6 million of accrued sales revenue which related to the current quarter production.

5. General and Administrative Expenses

	Group (TUSD)		**Parent** (TSEK)	
	2020	**2019**	**2020**	**2019**
Personnel costs	3,538	4,217	6,173	2,126
Rent & office costs	500	741	96	119
Insurance	83	66	–	–
Listing costs	648	314	2,984	592
Costs of external services	1,566	832	1,530	2,555
Software & Information technology	295	277	164	104
Travel related costs	168	570	2	24
Non recoverable taxes & other costs	260	365	2,411	502
Allocated to Operating expenses	(1,119)	(1,918)	–	–
	5,939	**5,464**	**13,360**	**6,022**

6. Net Finance Costs

	Group (TUSD)		**Parent** (TSEK)	
	2020	**2019**	**2020**	**2019**
Interest on bonds payable	3,909	3,808	36,000	36,000
Accretion of bonds payable (Note 14)	1,063	1,001	9,787	9,463
Accretion of decommissioning provision	108	116	–	–
Interest expense	21	–	–	–
Interest income	(119)	(449)	(20,959)	(24,105)
	4,982	**4,476**	**24,828**	**21,358**

7. Income Taxes

	Group (TUSD)		Parent (TSEK)	
	2020	**2019**	**2020**	**2019**
Current tax expense	1,106	2,636	–	–
Deferred tax (recovery) expense	(4,594)	2,418	–	–
Total	**(3,488)**	**5,054**	**–**	**–**

Current taxes are in respect of the Company's operations in Brazil. The statutory income tax rate in Brazil is 34%; however, following application of tax incentives available to the Company in Brazil, the resulting tax rate was 15.25% for 2020 and 2019. The tax incentives begin to expire in 2024 for the Tie field and 2029 for the Tartaruga Block but are renewable in the ordinary course of business.

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

	Group (TUSD)		Parent (TSEK)	
	2020	**2019**	**2020**	**2019**
Result before tax	(13,747)	24,708	(258,342)	(43,953)
Applicable tax rate	21.4%	21.4%	21.4%	21.4%
Expected tax expense (recovery)	(2,942)	5,288	(55,285)	(9,406)
Effect of different tax rates	(1,075)	(1,927)	–	–
Non-deductible items	1,492	646	44,408	3,998
Recognition of year end deferred tax assets	(5,333)	–		–
Changes in unrecognized deferred tax assets and other	4,370	1,047	10,877	5,408
Income tax expense (recovery)	**(3,488)**	**5,054**	**–**	**–**
Current	1,106	2,636	–	–
Deferred	(4,594)	2,418	–	–
Total	**(3,488)**	**5,054**	**–**	**–**

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

Specification of deferred tax assets:

(TUSD)	**2020**	**2019**
Unused tax loss carry forwards	8,801	6,105
Other deductible temporary differences	1,177	1,850
Deferred tax assets	**9,978**	**7,955**

At year end 2019, the Company did not recognize certain deferred tax assets in Brazil due to the uncertainty of the timing and extent of the utilization of the tax losses. At year end 2020, the Company determined there was a reasonable certainty it would be able to recover these unrecognized deferred tax assets and recorded a deferred tax recovery of TUSD 5,333 (2019: nil)

The deferred tax asset of TUSD 9,978 (2019: 7,955) represents estimated tax losses and other temporary differences in Brazil of TUSD 30,459 which has been fully recognized, as the probability of realization in expected due to a forecasted taxable income in Brazil. At 31 December 2019, out of the total estimated tax losses and other temporary differences in Brazil of TUSD 52,041, the Company had recognized TUSD 23,398 of such tax losses and other temporary differences as a deferred tax asset at an amount of TUSD 7,955. The Company has not recognized any deferred tax assets on any other tax losses or other temporary deductible differences in any other jurisdiction within the Group.

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

(TUSD)	**Loss Carry Forward 2020**	**Expiry**
Sweden	14,628	Indefinite
Brazil	26,867	Indefinite
Canada	3,020	Beginning in 2033
United States	15,872	Beginning in 2033
Luxembourg	10,216	Beginning in 2034
	70,603	

The tax losses in Brazil and Luxembourg primarily relate to corporate acquisitions in 2017. Loss carry forwards in Brazil are limited to a maximum of 30% of taxable income in the year that they are applied.

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

(TUSD)	Oil and gas properties	Other tangible assets	Right-of-use assets	Total
Cost				
1 January 2019	**62,125**	**2,061**	**427**	**64,613**
Additions	24,615	118	413	25,146
Change in decommissioning cost	436	–	–	436
Currency translation adjustment	(3,259)	(16)	(27)	(3,302)
31 December 2019	**83,917**	**2,163**	**813**	**86,893**
Additions	26,967	114	5,510	32,591
Acquisition	4,538	–	–	4,538
Change in decommissioning cost	614	–	–	614
Currency translation adjustment	(19,290)	(120)	(305)	(19,715)
31 December 2020	**96,746**	**2,157**	**6,018**	**104,921**
Accumulated depletion, depreciation and amortization				
1 January 2019	**(4,919)**	**(433)**	**–**	**(5,352)**
DD&A	(5,179)	(288)	(204)	(5,671)
Currency translation adjustment	347	24	2	373
31 December 2019	**(9,751)**	**(697)**	**(202)**	**(10,650)**
DD&A	(5,033)	(68)	(475)	(5,576)
Currency translation adjustment	2,271	14	65	2,350
31 December 2020	**(12,513)**	**(751)**	**(612)**	**(13,876)**
Carrying amount				
31 December 2019	74,166	1,466	611	76,243
31 December 2020	**84,233**	**1,406**	**5,406**	**91,045**

(TUSD)	Brazil	USA	Corporate	Consolidated
Oil and gas properties	78,223	6,010	–	84,233
Other tangible assets	171	1,224	11	1,406
Right-of-use assets	5,176	–	230	5,406
31 December 2020	**83,570**	**7,234**	**241**	**91,045**
Oil and gas properties	74,166	–	–	74,166
Other tangible assets	226	1,229	11	1,466
Right-of-use assets	611	–	–	611
31 December 2019	**75,003**	**1,229**	**11**	**76,243**

The oil and gas properties relate to the producing oil and gas cost pools in the Brazil segment. Depletion and depreciation amounted to TUSD 5,624 (2019: TUSD 5,671) for 2020 and is included with the DD&A costs line in the Consolidated Statement of Operations.

At 31 December 2020, the Company assessed its property, plant and equipment for indicators of potential impairment. As a result of this assessment, the Company concluded that no impairment indicators existed.

Dome AB Inc Acquisition

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

The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition.

9. Exploration and Evaluation Assets

(TUSD)	
1 January 2019	**20,685**
Additions in the period	165
Change in estimates	(56)
Operating costs capitalized (net of Incidental revenue from sale of crude oil)	422
31 December 2019	**21,216**
Additions in the period	400
Oman acquisition	10,350
Impairment	(21,000)
Change in estimates	48
Incidental result from sale of crude oil	–
31 December 2020	**11,014**

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.

On 5 October 2020, the Company entered into an Exploration and Production Sharing Agreement ("EPSA") with the government of the Sultanate of Oman, for Block 70, an onshore block that includes the shallow undeveloped Mafraq heavy oil field in Oman. The Company paid USD 10.4 million for the acquisition of Block 70.

Impairment of E&E assets

E&E assets are tested for impairment both at the time of any triggering fact and circumstances as well as upon their eventual reclassification to oil and gas properties in PP&E. The LAK Ranch heavy oil asset was shut in at the beginning of the 2020 COVID-19 Pandemic and will remain shut in until oil prices recover. As at 31 December 2020, the Company assessed that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full as a result of decreases in forecasted commodity oil prices. This triggered an indicator of impairment. As a result, impairment testing was performed and the carrying value of the LAK Ranch was written down to the estimated recoverable amount, resulting in a non-cash impairment charge of USD 21.0 million (2019 – nil).

10. Accounts Receivables

	2020		2019	
	Group (TUSD)	**Parent** (TSEK)	**Group** (TUSD)	**Parent** (TSEK)
Oil and gas sales (Brazil)	1,600	4,394	–	–
Tax credits and other receivables	1,492	345	116	243
	3,092	**4,739**	**116**	**243**

The majority of the Company's oil and gas sales receivables are with the Brazilian national oil company and an independent refinery. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with creditworthy purchasers. Under the marketing agreement with the refinery, most of the oil sales are prepaid prior to delivery with occasional credit granted to maintain daily deliveries. As at 31 December 2020, the Company determined that the average expected credit loss on the Company's accounts receivable was nil (2019: nil) as the Company has no history of collection issues with the independent small number of customers and the Company is satisfied that these amounts are substantially collectible.

11. Cash and Cash Equivalents

(TUSD)	2020	2019
Cash	6,681	21,495
Short term investment	–	955
	6,681	**22,450**

12. Share Capital

Shares outstanding	A	Number of Shares by Class B	C2	Total
1 January 2019	**90,259,168**	**8,109,882**	**50,000**	**98,419,050**
Exercise of warrants	1,997,818	–	–	1,997,818
Conversion of convertible B shares	149,564	(149,564)	–	–
Exercise of Maha (Canada) options	50,000		(50,000)	–
31 December 2019	**92,456,550**	**7,960,318**	**–**	**100,416,868**
Exercise of bond warrants	949,853	–	–	949,853
Conversion of convertible B shares	7,476,952	(7,476,952)	–	–
Exercise of incentive warrants	263,330	–	–	263,330
31 December 2020	**101,146,685**	**483,366**	**–**	**101,630,051**

During 2020, a total of 949,853 bond warrants were exercised at a strike price of SEK 7.45 representing approximately 8% of total warrants outstanding at the beginning of 2020. Accordingly, the same number of new shares of class A were issued. The total proceeds from this transaction were SEK 7.1 million (approximately USD 0.7 million) before issuance costs. In addition, 263,330 incentive warrants were exercised during the year for which same number of Class A shares were issued to the employees of the Company. 7,476,952 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

As at 31 December 2020 Maha A TO2 share purchase warrants outstanding were as follows:

	Number of Warrants #	Exercise Price SEK	Exercise Price USD
1 January 2019	**13,350,000**	**7.45**	**0.84**
Exercised	(1,997,818)	7.45	0.78
31 December 2019	**11,352,182**	**7.45**	**0.80**
Exercised – Q1	(827,500)	7.45	0.78
Exercised – Q2	(6,446)	7.45	0.74
Exercised – Q3	(5,684)	7.45	0.82
Exercised – Q4	(110,223)	7.45	0.86
31 December 2020	**10,402,329**	**7.45**	**0.91**

Warrant Incentive Program

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

Warrants incentive programme	Exercise period	Exercise price, SEK	Number of Warrants 1 Jan 2020	Issued 2020	Expired 2020	Exercised 2020	Cancelled 2020	31 Dec 2020
2017 incentive programme	1 September 2020 – 31 December 2020[1]	7.00	750,000	–	–	(443,568)	(306,432)	–
2018 incentive programme	1 May 2021 – 30 November 2021	9.20	750,000	–	–	–	–	750,000
2019 incentive programme	1 September 2022 – 28 February 2023	28.10	500,000	–	–	–	–	500,000
2020 incentive programme	1 September 2023 – 29 February 2024	10.90	–	460,000	–	–	–	460,000
Total			**2,000 ,000**	**460,000**	**–**	**(443,568)**	**(306,432)**	**1,710,000**

1 *2017 warrants were fully exercised in December 2020 but were registered as shares subsequent to the year end.*

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:

	2020 Incentive Programme	2019 Incentive programme
Risk free interest rate (%)	0.00	(0.33)
Expected term (years)	3.75	3.75
Expected volatility (%)	74	53
Forfeiture rate (%)	5.0	5.0
Weighted average fair value (SEK)	5.75	8.77

Total share-based compensation expense for 2020 was TUSD 338 (2019: TUSD 207).

13. Earnings Per Share

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

	2020	2019
Net result attributable to shareholders of the Parent Company (TUSD)	-10,259	19,654
Weighted average number of shares for the year	101,357,757	99,287,171
Earnings per share, USD	**-0.10**	**0.20**
Weighted average diluted number of shares for the year	106,478,943	107,943,095
Earnings per share fully diluted, USD	**-0.10**	**0.18**

14. Bond Payable

	TUSD	TSEK
1 January 2019	**31,180**	**276,573**
Accretion of bond liability	1,001	9,464
Effect of currency translation	(1,560)	–
31 December 2019	**30,621**	**286,037**
Accretion of bond liability	1,063	9,787
Effect of currency translation	4,338	–
31 December 2020	**36,022**	**295,824**

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

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

For 2020 Maha recognized TUSD 3,909 (2019: TUSD 3,808) of interest and TUSD 1,063 (2019: TUSD 1,001) of accretion related to the Bonds.

The Bonds have the following maintenance covenants at each quarter end and on a rolling 12 month 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 2020 the Company was compliant with all terms of the Bonds.

15. Decommissioning Provision

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

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

(TUSD)	
1 January 2019	**1,720**
Accretion expense	116
Additions	185
Change in estimate	194
Foreign exchange movement	(40)
31 December 2019	**2,175**
Accretion expense	108
Additions	168
Dome Acquisition (Note 8)	68
Change in estimate	378
Foreign exchange movement	(300)
31 December 2020	**2,597**

The total undiscounted amount of estimated future cash flows required to settle the obligations at 31 December 2020 was approximately TUSD 3,531 (2019: TUSD 3,270). In calculating the present value of the decommissioning provision for the Brazil assets, an inflation rate of 4.3 percent (2019: 4.3 percent) and a discount rate of 7.8 percent (2019: 7.9 percent) was used, which represents an estimated rate for Brazil's long term government treasury bonds for a period of over 20 years, the approximate weighted-average remaining years to abandonment. In calculating the present value of the decommissioning provision for the USA assets, an inflation rate of 2.0 percent (2019: 2.1 percent) and a discount rate of average 1.5 percent (2019: 2.4 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 2020, approximately 100 percent of the total amount of this provision is expected to be settled between 15 years and 20 years.

16. Lease Liability

(TUSD)	
As at 1 January 2019	**427**
Additions	411
Interest expense	5
Lease payments	(210)
Foreign currency translation	(22)
31 December 2019	**611**
Additions	4,974
Interest expense	21
Lease payments	(450)
Foreign currency translation	**(463)**
31 December 2020	4,693
Less current portion	1,243
Lease liability – non current	3,450

The Company has lease liabilities for contracts related to office space, equipment and gas compressors. Lease terms are negotiated on an individual basis and contain wide range of different terms and conditions. The total payments made for short-term and low value leases were not significant for the year 2020 and are not included in the lease liability. The Company's lease liabilities are for periods of one to five years but may have extension options. The undiscounted cash flows relating to the lease liabilities are detailed in Note 21.

17. Other long-term Liabilities and Provisions

(TUSD)	2020	2019
Labour and contractors claims provision	1,228	1,884
Minimum work commitments provision	3,597	5,928
	4,825	**7,812**

Provisions for labour and contractors claims represents the Company's best estimate at yearend for the pre-existing legal matters. During the year, Maha revised its provision for the minimum work commitment based on the estimated future cashflows required to settle this obligation. Minimum work commitment relating to Block 224 was considered payable in less than a year and was classified as current provision. As at 31 December 2020, the undiscounted amount of the minimum work commitments is USD 3.7 million which has been discounted using a credit-adjusted risk-free rate of 5.3%.

18. Accounts Payable and Accrued Liabilities

	Group (TUSD)		**Parent** (TSEK)	
	2020	**2019**	**2020**	**2019**
Trade payable	9,931	2,967	2,075	66
Accrued liabilities	9,600	2,406	2,283	1,267
Interest payable	402	353	3,300	3,300
Taxes payable (see Note 7)	397	1,213	–	–
	20,330	**6,939**	**7,658**	**4,633**

19. Financial Assets and Liabilities

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

For financial instruments measured at fair value in the balance sheet, the following fair value measurement hierarchy is used:

- Level 1: based on quoted prices in active markets;
- Level 2: based on inputs other than quoted prices as within level 1, that are either directly or indirectly observable;
- Level 3: based on inputs which are not based on observable market data.

Fair value of financial assets and liabilities

The Company's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are assessed on fair value hierarchy described above. The fair value of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments.

The fair value of finance leases approximates their carrying amount due to the specific non-tradeable nature of these instrument. The Bonds payable is carried at amortized cost. For the disclosure purposes, the estimated fair values of the bonds have been determined based on the adjusted period-end trading prices of the bonds on the secondary market (Level 2). As at 31 December 2020, the carrying value of the Bonds was TUSD 36,022 and the fair value was TUSD 37,068 (31 December 2019: carrying value – TUSD 30,621; fair value – TUSD 34,519).

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

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

			Non-cash changes			
	At 1 January 2020	**Cash Flows**	**Lease adds under IFRS 16**	**Amortization of deferred financing fees**	**Foreign exchange movement**	**At 31 December 2020**
Lease Liability	611	(450)	4,735	–	(203)	4,693
Bonds Payable	30,621	–	–	1,063	4,338	36,022

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

21. Management of Financial Risk

The Company thoroughly examines the various risks to which it is exposed, and assesses the impact and likelihood of those risks. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management; however, the Board of Directors delegates execution responsibility to the Company's 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. Further, with regards to BRL, there is a risk of inflation or hyper-inflation.

To minimize foreign currency risk, the Company's cash balances are held primarily in SEK 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 2020.

	Average rate 2020	10% USD weakening	10% USD strengthening
Net result in the financial statements, TUSD		(10,259)	(10,259)
SEK/USD	9.2092	8.2883	10.1301
Total effect on net result, TUSD		**(714)**	**584**
BRL/USD	5.1530	4.6377	5.6683
Total effect on net result, TUSD		**2,719**	**(2,225)**

The net foreign currency exchange loss for the year amounted to TUSD 245 (TUSD 159). Foreign exchange movements occur on settlement of transactions denominated in foreign currencies and the revaluation of working capital to the prevailing exchange rate at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Company's reporting entities. Foreign exchange exposures related to the transactions denominated in foreign currencies are minimal both in Brazil and Sweden as the majority of the transactions are in the local functional currencies.

b) Credit risk

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

As at 31 December 2020, the Company's trade receivables amounted to TUSD 3,092 (TUSD 4,394). The majority of the Company's oil and gas sales receivables are with the Brazilian national oil company and a small independent refinery in Brazil. Under the marketing agreement with the refinery, most of the oil sales are prepaid prior to delivery with occasional credit granted to maintain daily deliveries. In the USA, the Company markets and sells its oil through marketing companies and payments are received in 30 days. There is no recent history of default and expected credit loss associated with these receivables is not significant. Other short-term receivables are considered recoverable as they are mainly related to taxes and employee advances. 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. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company has since inception been equity and debt financed through share and Bonds issues. The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

The Company has current assets of USD 11.6 million, positive cash flow from operating activities and current liabilities of USD 57.6 million which includes the maturing bond in less than a year. There is risk that the Company either has insufficient funds to settle the principal amount of the Bond or is unable to successfully refinance or rollover the Bond for an additional term. Subsequent to the year end, the Company signed a binding agreement with Brazilian Investment bank Baco BTG Pactual S.A for financing of USD 70 million, which consists of a four-year senior secured term loan of USD 60 million and a USD 10 million equity private placement, to support the growth of the Company.

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
2020				
Accounts payable and accrued liabilities	20,330	20,330	–	–
Lease liabilities	4,693	1,224	1,135	2,334
Other Long-term liabilities	4,825	–	3,597	1,228
Bonds payable	36,022	36,022	–	–
	65,870	**57,576**	**4,732**	**3,562**
2019				
Accounts payable and accrued liabilities	6,939	6,939	–	–
Lease liabilities	611	231	190	190
Other Long-term liabilities	7,812	–	5,928	1,884
Bonds payable	30,621	–	30,621	–
	45,983	**7,170**	**36,739**	**2,074**

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 Company has fixed interest on Bonds payable (Note 14) therefore is not exposed to interest rate risk. 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.

e) Commodity Price risk

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

Changes in crude oil prices may significantly affect the Company's results of operations, cash generated from operating activities, capital spending and the Company's ability to meet its obligations. The majority of the Company's production is sold under short-term contracts; consequently, the Company is at risk to near term price movements. The Company manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program. For 2020, 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 to manage the exposure to market risks from fluctuations in commodity prices. These risk management contracts are not used for trading or speculative purposes. All risk management contracts are recorded at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statement of operations. Maha entered into no risk management contracts during the year 2020.

The table below summaries the effect that a change in the realized oil prices would have had on the net result and equity at 31 December 2020:

Net result of the year, TUSD	(10,259)	(10,259)
Possible shift	-10%	+10%
Total effect on net result, TUSD	**(3,287)**	**3,287**

22. Management of Capital

The Company manages its capital structure to support the Company's strategic growth. The Company's objectives when managing its capital structure are to maintain financial flexibility, preserve access to capital markets, ensure its ability to finance internally generated growth and to fund potential acquisitions while maintaining the ability to meet the Company's financial obligations as they come due. The Company considers its capital structure to include shareholders' equity of USD 55.6 million (31 December 2019: USD 87.9 million) plus net debt of USD 29.3 million (31 December 2019: 8.2 million). At 31 December 2020, the Company's working capital deficit was USD 10.0 million (31 December 2019: USD 23.3 million surplus), which includes USD 6.7 million of cash (31 December 2019: USD 22.5 million) and nil of restricted cash (31 December 2019: USD 1.6 million). During the year, the Company was able to release USD 1.5 million of the restricted cash resulting in a minimal amount of restricted cash as at 31 December 2020. Maha considers working capital operational in nature therefore working capital excluded the current portion of the Bonds payables, which corresponds to financing activities of the Company.

The Company may adjust its capital structure by issuing new equity or debt and adjusting its capital expenditure program, as allowed pursuant to contracted work commitments. The Company does not have any externally imposed material capital requirements to which it is subject except for the Bond covenants (See Note 14). 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. On 31 March 2021, the Company entered into a binding agreement with Banco BTG Pactual S.A for USD 70 million financing to support the growth of the Company.

23. Changes in Non-cash Working Capital

(TUSD)	31 December 2020	31 December 2019
Change in:		
Accounts receivable	1,625	(619)
Inventory	(9)	(340)
Prepaid expenses and deposits	(176)	(569)
Accounts payable and accrued liabilities	5,030	812
Total	**6,470**	**(716)**

24. Pledged Assets

As at 31 December 2020, pledged assets are mainly a continuing security for the Senior Secured Bonds where Maha has entered into a pledge agreement. The pledge relates to the shares in its subsidiaries: Maha Energy 1 (Brazil) AB, Maha Energy 2 (Brazil) AB, Maha Energy Inc. and Maha Energy Finance (Luxembourg) S.A.R.L. The pledged assets for the parent company as at 31 December 2020 amounted to SEK 4.4 million (31 December 2019: SEK 186 million) representing the carrying value of the pledge over the shares of subsidiaries. The combined net asset value for the Group of the subsidiaries whose shares are pledged amounted to USD 39.5 million (31 December 2019: USD 83.6 million).

The Company also has guarantees in relation to its work commitments in Brazil and has contractual commitments in the USA and Oman (See Note 25).

25. Commitments and Contingencies

The Company has 7 concession agreements with the National Agency of Petroleum, Natural Gas and Biofuels in Brazil (ANP). Certain of these blocks are subject to work and abandonment commitments of approximately USD 5.0 million in relation to these exploration blocks which are guaranteed with certain credit instruments.

During 2019, Maha received the pending environmental licenses on two of its concessions resulting in a requirement to fulfill its work commitments by the first quarter of 2021 or relinquish the blocks. These commitments are in the normal course of the Company's exploration business and the Company's plans to fund any related work or penalty, if necessary, with existing cash balances, cash flow from operations and available financing sources. During 2020, the Company received an extension to November 2021 under the COVID-19 relief program by the Brazil Government and has further extensions available under certain non-conventional drilling programs.

As part of the Dome Acquisition (See Note 8), the Company acquired contractual commitments to drill one well and to complete a drilled but uncompleted well. This commitment was fulfilled during the year. Other commitments to drill and complete wells have been successfully rescheduled to fiscal year 2021. In addition, a future contingent consideration of USD 3.0 million is possible if certain oil prices and production level milestones are met before 2023. Maha and its subsidiaries are under no obligation to reach the production level set out for the production milestone. The company had not recorded this contingent consideration at 31 December 2020.

With the acquisition of the Block 70 in Oman, the Company will undertake minimum work obligations during the initial exploration period of three years which include interpretation and reprocessing of 3D seismic and drilling 10 (ten) shallow wells. Costs for these activities are estimated at USD 20 million.

26. Related Party Transactions

Kvalitena AB has an ownership in terms of voting rights of 20.9% and holds two seats at the board of directors. As such, Kvalitena AB can exercise significant influence over the Company and is deemed to be a related party in accordance with IAS 24. The Company leases its office space from Kvalitena AB in Sweden. The terms of the lease are equivalent to those that prevail in arm's length transactions. As at 31 December 2020, Maha had no amounts outstanding as payable or receivable to or from Kvalitena AB.

In relation to the Parent Company, the subsidiaries are considered related parties. The Parent Company has provided subsidiaries with intragroup loans and receives interest income on a loan from one of the subsidiaries.

27. Average Number of Employees

	Canada	United States	Brazil	Sweden	Company
Employees (2020)	13	3	55	2	73
(of which men)	9	3	45	0	57
Employees (2019)	7	5	45	1	58
(of which men)	5	5	38	0	48

Board members, except for Jonas Lindvall, are not included in table. There are no women on the Board.

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

(TUSD)	2020		2019	
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	184	51	132	34
Employees	64	17	14	1
Subsidiaries abroad				
Canada	2,300	37	2,020	29
USA	323	30	443	34
Luxembourg	–	–	–	–
Brazil	2,335	497	2,441	481
Total	**5,206**	**632**	**5,050**	**579**

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

2020 (TUSD)	Board Fee / Base salary	Other benefits[1]	Short-term variable remuneration	Remuneration for Committee work	Option Based Award	Total 2020
Parent Company in Sweden						
Victoria Berg	40	3	–	–	4	47
Board members						
Jonas Lindvall[2]	–	–	–	–	–	–
Harald Pousette	32	–	–	15	–	47
Anders Ehrenblad	33	–	–	17	–	50
Nicholas Walker	26	–	–	21	–	47
Seth Lieberman	16	–	–	4	–	20
Fredrik Cappelen	16	–	–	4	–	20
Total	**163**	**3**	**–**	**61**	**4**	**231**
Subsidiaries abroad – Management						
Jonas Lindvall	403	19	–	–	27	449
Other[3]	647	44			176	867
Total Management	**1,050**	**63**	**–**	**–**	**203**	**1,316**

2019 (TUSD)	Board Fee / Base salary	Other benefits[1]	Short-term variable remuneration[4]	Remuneration for Committee work	Option Based Award	Total 2019
Parent Company in Sweden						
Victoria Berg[5]	13	1	–	–	–	14
Board members						
Jonas Lindvall[2]	–	–	–	–	–	–
Wayne Thomson[6]	15	–	–	7	–	22
Anders Ehrenblad	25	–	–	20	–	45
Harald Pousette	18	–	–	22	–	40
Nicholas Walker	9	–	–	16	–	25
Total	**67**	**–**	**–**	**65**	**–**	**132**
Subsidiaries abroad – Management						
Jonas Lindvall	375	16	77	–	30	498
Other[3]	752	36	150	–	109	1,047
Total Management	**1,127**	**52**	**227**	**–**	**139**	**1,545**

1 *Other benefits include health insurance and pension for the management.*
2 *Jonas Lindvall was not compensated in the capacity as a Board member.*
3 *Other represents the following members of the management for 2020: CFO, VP Operations and VP Exploration and for 2019: CFO, VP Operations, VP Exploration and Executive Vice President.*
4 *Short-term variable remuneration in 2019 was for one-time bonus plan based on certain performance achievements.*
5 *Victoria Berg joined Maha in 2019 therefore remuneration reflects only partial of the year payments.*
6 *Wayne Thomson was the Chairman of the Board until June 2019.*

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

Incentive Programs
As of the date of this Annual Report, Maha has 1,710,000 Warrants under the Long-Term Incentive Plan as follows:

Long Term Incentive Plan
In 2017, the Company implemented a long-term incentive plan which provides for an annual grant of warrants. Each annual grant has a three-year duration and will vest equally in three tranches annually. The warrants currently outstanding were issued following the AGMs in 2017, 2018, 2019 and 2020. During 2020, 460,000 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.

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

29. Shares in Subsidiaries – Parent Company

Subsidiary	Registration number	Registered office	Share (%)	2020 (TSEK)	2019 (TSEK)
Maha Energy Inc.	2017256518	Calgary, AB, Canada	100	3,688	185,493
Maha Energy I (Brazil) AB	559058-0907	Stockholm, Sweden	100	–	620
Maha Energy II (Brazil) AB	559058-0899	Stockholm, Sweden	100	680	680
Maha Energy Finance (Luxembourg) S.A.R.L	B163089	Grand Duchy, Luxembourg	100	–	–
Mana Energy Services LLC	2019-002241022	Newcastle, WY, USA	100	–	5,675
Maha Energy (Oman) Ltd	259894	Cyprus	100	–	–
				4,368	**192,468**

Participation in Subsidiaries (TSEK)	**2020**	**2019**
Opening value	192,468	184,219
Acquisition	–	–
Disposition	–	–
Write-off of investment	(195,726)	(18,683)
Paid shareholders' contribution	7,626	26,932
	4,368	**192,468**

30. Loans to subsidiaries – Parent Company

Subsidiary (TSEK)	**2020**	**2019**
Maha Energy Inc.	99,900	86,256
Maha Energy (US) Inc.	77,448	45,353
Maha Energy Services LLC	19,574	16,286
Maha Energy I (Brazil) AB	(742)	7,358
Maha Energy II (Brazil) AB	46	46
Maha Energy Finance (Luxembourg) S.A.R.L	178,351	217,198
Mana Energy (Indiana) Inc.	7,699	–
Maha Energy (Oman) Ltd.	89,563	–
	471,839	**372,497**

Loans to subsidiaries (TSEK)	**2020**	**2019**
Opening value	372,497	410,764
Impairment of loan to subsidiaries	7,022	–
New lending to subsidiaries	163,859	89,612
Loan repayment by subsidiaries	(57,494)	(127,879)
	471,839	**372,497**
Loans to subsidiaries – current	**–**	**7,358**
Loans to subsidiaries – long term	**471,839**	**365,139**

31. Auditor's Fees

	Group (TUSD)		**Parent** (TSEK)	
	2020	**2019**	**2020**	**2019**
Deloitte				
Audit assignment	196	209	710	475
Audit related	11	5	140	23
Tax advisory services	50	94	75	–
Other services	119	11	1,000	45
	376	**319**	**1,925**	**543**

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

32. Proposed Distribution of Earnings

The Board of Directors proposes no dividends to be paid for the year. Furthermore, the board of Directors proposes that the unrestricted equity of the Parent Company of SEK 179,068,211 including the net result for the year of SEK (258,341,441) be brought forward as follows:

(SEK)	
Dividend	–
Carried forward	179,068,211
Total	**179,068,211**

33. Subsequent Events

Maha signed a Loan Agreement and Equity Subscription with Brazilian Investment Bank Banco BTG Pactual S.A. for total proceeds of USD 70 million, before customary fees and expenses. The proceeds will be used to redeem the outstanding SEK 300 million bonds and to further accelerate and fund the Company's oil and gas production expansion program. The financing consists of a four-year senior secured term loan of USD 60 million (the "Term Loan") and a USD 10 million equity private placement (the "Private Placement") through issuance of 7,470,491 new shares, at a price of SEK 11.59 per share, representing a 10% discount to the last 15 days volume weighted average share price. The USD 60 million Term Loan will be amortized in stages over the 4 year period commencing 15 months after closing of the loan agreement. The Term Loan will carry a stepwise interest rate of 12.75% to 13.5% post disbursement, increasing with loan amortization. The completion of the financing is subject to customary conditions precedent. Should the financing not be completed a cancellation fee may be payable.

Key Financial Data and Ratios

The selected key ratios presented below include alternative key ratios or key ratios that are not defined in accordance with IFRS, and are thus not necessarily comparable to key ratios under similar names used by other companies. Those financial key ratios that are not defined in accordance with IFRS are, together with key ratios that are defined in accordance with IFRS, used to facilitate the managements and other stakeholders' analysis of the Group.

See the heading "Definitions of alternative key ratios" for definitions and objective of alternative key ratios, and the heading "Reconciliation of alternative key ratios" below for reconciliations of abovementioned key ratios. All alternative key rations have been taken from the Group's audited financial reports as per and for the financial years ended 31 December 2019 and 2020, unless stated otherwise.

Financial data from continuing operations		
TUSD	**2020**	**2019**
Revenue	39,018	55,589
Operating netback	23,523	41,539
EBITDA	18,104	34,696
Net result	(10,259)	19,654
Cash flow from operations	18,984	28,824
Free cash Flow	(14,596)	1,614
Net debt (TUSD)	29,341	8,171

Key ratios	**2020**	**2019**
Return on equity (%)	-18	22
Equity ratio (%)	45	65
NIBD/EBITDA	1.62	0.2
TIBD/EBITDA	1.99	0.8

Data per share	**2020**	**2019**
Weighted number of shares (before dilution)	101,357,757	99,287,171
Weighted number of shares (after dilution)	106,478,943	107,943,095
Earnings per share before dilution, USD	(0.10)	0.20
Earnings per share after dilution, USD	(0.10)	0.18
Dividends paid per share	n/a	n/a

Relevant reconciliation of alternative key ratios:
The tables below reflect a reconciliation of alternative key ratios based on items, subtotals or total amounts included in the Group's audited financial reports for the financial years ended on 31 December 2020 and 2019, unless stated otherwise. The alternative key ratios are not audited.

For definitions of alternative key ratios which has not been calculated in accordance with IFRS, see the section "Definitions of alternative key ratios".

Operating Netback

(TUSD)	**2020**	**2019**
Revenue	39,018	55,589
Royalties	(5,829)	(7,449)
Operating Expenses	(9,666)	(6,601)
Operating netback	**23,523**	**41,539**

EBITDA

(TUSD)	**2020**	**2019**
Operating results	(8,765)	29,184
Depletion, depreciation and amortization	5,624	5,671
Impairment on E&E assets	21,000	–
Foreign currency exchange loss / (gain)	245	(159)
EBITDA	**18,104**	**34,696**

Free cash flow

(TUSD)	**2020**	**2019**
Cash flow from operating activities	18,984	28,824
Less: cash used in investing activities	(33,580)	(27,210
Free cash flow	**(14,596)**	**1,614**

Net debt

(TUSD)	**2020**	**2019**
Bonds payable	36,022	30,621
Less: cash and cash equivalents	(6,681)	(22,450)
Net debt	**29,341**	**8,171**

Return on equity

	2020	**2019**
Net result for the period (TUSD)	(10,259)	19,654
Ending equity balance (TUSD)	55,556	87,859
Return on equity, %	**-18**	**22**

Equity ratio

	2020	**2019**
Total equity (TUSD)	55,556	87,859
Total assets (TUSD)	124,023	136,017
Equity ratio, %	**45**	**65**

Definitions of alternative key ratios

Definitions of key ratios that are not defined in IFRS (alternative key ratios) are included in the presentation of definitions below. Alternative key ratios measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be adjusted correspondingly by the most comparable key ratio that has been defined in accordance with the Group's accounting principles. The Group management uses alternative key ratios to follow the underlying development of the Company's operations and believes that the alternative key ratios, together with key ratios defined in IFRS, help investors to understand the Company's development from period to period and may facilitate comparisons with similar companies, but are not necessarily comparable to key ratios under similar names that are used by other companies. The Company believes that the alternative key ratios provide useful and supplementary information to the investors. As these key figures are not more suitable than key ratios defined in IFRS, they should be used together with these with a supplementary rather than a substitutional purpose. The alternative key ratios are not audited. Investors are urged not to attach undue reliance to the alternative key ratios, and are also urged to review these together with the Group's audited financial reports for the financial years ended 31 December 2020 and 2019. See the heading "Reconciliation of alternative key ratios" below for reconciliations of alternative key ratios.

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

EBITDA (Earnings before interest, taxes, depreciation, and amortization and impairment): Operating profit before depletion of oil and gas properties, depreciation of tangible assets, impairment, foreign currency exchange adjustments, interest and taxes. EBITDA is used as a measure of the financial performance of the Company.

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

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

Equity ratio: Total equity divided by the balance sheet total assets. Equity ratio is a measure that provides information in order to enable investors to assess the financial stability of the Company and the Company's ability to cope with in the long term.

Free cash flow: Cash flow from operating activities less cash flow from investing activities in accordance with the consolidated statement of cash flow. Free cash flow demonstrates the amounts of cash and cash equivalents remaining in the Company after deductions for investments made.

Net debt: Interest bearing bonds less cash and cash equivalents. Net debt demonstrates the company's total debt arrangements.

Net debt to EBITDA ratio (NIBD/EBITDA): Net interest-bearing debt divided by trailing 4 quarters EBITDA. NIBD/EBITDA is relevant for assessing the company's ability to carry out strategic investments and to live up to its financial commitments.

Net result: Net result demonstrates the Company's earnings or loss for the relevant period.

Operating netback: Operating netback is defined as revenue less royalties and operating expenses. Operating netback is a common measure within the oil and gas industry, with the objective to illustrate the Company's operational efficiency to enable internal comparisons and comparisons with competitors.

Return on equity: Net result divided by ending equity balance. Return on equity demonstrates in the accounts total return of the owner's capital.

Revenue: Revenue shows the Company's revenues from oil and gas sales before deductions for royalties.

Total debt to EBITDA ratio (TIBD/EBITDA): Total interest-bearing debt divided by trailing 4 quarters EBITDA. TIBD/EBITDA is relevant for assessing the company's ability to carry out strategic investments and to live up to its financial commitments.

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. The key ratio provides information to investors on average number of outstanding shares in the Company, not taking into account any dilution effect.

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.

Board 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,
19 April 2021

Harald Pousette,
Chairman of the Board

Nicholas Walker,
Director

Anders Ehrenblad,
Director

Seth Lieberman,
Director

Fredrik Cappelen,
Director

Jonas Lindvall,
Managing Director

Our audit report was submitted on 19 April 2021

Deloitte AB

Signature on the Swedish original

Fredrik Jonsson
Authorized public accountant

Auditor's Report

To the general meeting of the shareholders of Maha Energy AB

corporate identity number 559018-9543

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Maha Energy AB (publ) for the financial year 2020-01-01–2020-12-31 except for the corporate governance statement on pages 56–61. The annual accounts and consolidated accounts of the company are included on pages 45–97 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 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 56–61. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

<u>Valuation of oil and gas assets</u>

The carrying value of oil and gas assets represents the majority of the assets in the balance sheet in the Group and amounted to USD 95.2 million as of December 31, 2020. Oil and gas assets are comprised of oil and gas properties (USD 84.2 million) and exploration and evaluation assets (USD 11.0 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 is disclosed in note 8 and 9 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.

The assessment to identify potential impairment indicators and to perform potential impairment tests requires management to exercise significant judgement. There is a risk that the valuation of oil and gas properties and exploration and evaluation assets and any potential impairment charge may be incorrect. Based on the assessment of impairment indicators, management concluded there were impairment indicators identified for its LAK Ranch in the US (an evaluation and exploration asset) and an impairment test was performed which resulted in an impairment.

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

Our audit procedures included, but were not limited to:

- We evaluated the design and implementation of relevant internal controls to identify indicators of impairment.
- We obtained management's assessment of impairment indicators for oil and gas properties and evaluation and exploration assets as of December 31, 2020 and assessed and challenged the reasonableness of the assumptions used by management to assess the impairment indicators.
- We obtained management's impairment test for the LAK Ranch in the US and assessed the reasonableness of the

recoverable amount considering among other management's estimates of future cash flows and the risk profile of the asset.
- As part of our assessment of impairment indicators and our audit of the recorded impairment, we considered the reserve estimates prepared by the Company's external reserve auditor, Chapman Petroleum Engineering, Ltc. We assessed the competence and objectivity of Chapman as expert, to satisfy ourselves they were appropriately qualified to prepare such reserve estimates.
- We reviewed that relevant notes in compliance with IFRS have been disclosed in the financial reports.

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for other information. The other information includes the Remuneration report, and the pages 1–44 and 102 in this document which does not include the annual accounts and consolidated accounts or our Auditors report.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date

of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Maha Energy AB (publ) for the financial year 2020-01-01 – 2020-12-31 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 56–61 has been prepared in accordance with the Annual Accounts Act.

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

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

Deloitte AB, was appointed auditor of Maha Energy AB by the general meeting of the shareholders on 2020-05-27 and has been the company's auditor since 2016-05-22.

Gothenburg, 19 April 2021
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

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