



Third Quarter and Nine months ended Report 2016



Letter to Shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

By all measures the oil price collapse that started in September 2014 seems to have bottomed out in February this year and has since then recovered to a current price of around USD 45/bbl. The futures markets and most forecasters predict a steady rise in oil prices over the next 1-4 years. While in my career I have experienced three major oil price collapses (1986, 1998 and 2014)... this downturn has been the most severe. Many exploration & production and service companies in our sector have suffered especially those with debt. Restructuring and bankruptcies continue.

Our forward looking shareholding base, has allowed us to emerge from the cycle unscathed and in a position to grow and strengthen. Maha has a solid reserve base, a very exciting growth plan, cash in the bank and no debt. A robust foundation on which to build our Company and take advantage of growth opportunities at the bottom of the commodity cycle!

In the third quarter our shareholder base increased from just over 800 shareholders to almost 1,800. This has had a positive impact on liquidity and share price which can be utilized by the Company to grow by acquisition of accretive underperforming assets. The Company continues to pursue such opportunities in South America and Oman currently.

In Brazil, we wait for ANP to approve the change in Parental Guarantee status that is required for the acquisition of UPP, Operator of the Tartaruga Field. We have had several meetings with both Petrobras and ANP, and continued contact. We have not heard anything that gives us concern with respect to the approval process. In our last meeting with the Brazil National Oil Agency ("ANP"), it was indicated they would do their best to expedite the approval process. Our technical team has been to Brazil to continue to prepare for the workover of the SES 107 well scheduled just after ANP approval.

At LAK Ranch, we have completed all work associated with the water injection scheme. The last piece was a retrofit of a Variable Frequency Drive to one of our high pressure triplex water injection

pumps. This device will allow for a consistent hot water injection rate. The tanks and water handling system that was installed during the summer is working to expectations and the hard-working men at LAK are now optimizing the gas consumption with water temperature. During the fourth quarter we will be re-activating more production wells and commence our hot water injection optimization plans. Finally, we will be tackling the formation damage issue that we have observed on existing wells.

I am also pleased to welcome our new COO, Mr. Tom Walker.

Finally, as mentioned there appears to be good reasons to be bullish on the oil price! These include: according to the OPEC Secretariat, the oversupply of oil worldwide, is now down from approximately 2.2 m bbls/day in 2015 to just over 1.0 m bbls/day in 2016; (OPEC Monthly Oil Market Report – November 2016), amongst others, OPEC is predicting a balancing of markets in 2017; Australian Coal prices have doubled in the last 6 months (see www.mining.com) which signals increased energy demand in the Far East; and India is racing ahead with one of the highest GDP growth rates in the world (see data.worldbank.org).

In fact one can rightly be concerned about a potential impending oil shortage given the unprecedented reduction of major oil project capital budgets around the globe estimated to be 50% in the last two years and continuing natural production decline rates. (See www.eia.gov) There has not been as large of a reduction in capital spending in the oil industry, year-on-year since the 1980's (See www.eia.gov).

Naturally given the above, Maha is excited about its future growth prospects and the management team remains confident of its ability to add significant value in the upswing of the commodity cycle.

Sincerely,

"Jonas Lindvall"

Managing Director and CEO

Description of business

This report is a review of Maha Energy AB (the “Company” or “Maha (Sweden)”) results and management’s analysis of its financial performance for the nine month period ended September 30, 2016. It is dated November 29, 2016 and should be read in conjunction with the unaudited consolidated interim financial statements (“Interim Financial Statements”) of the Company for the three and nine months ended September 30, 2016. The Interim Financial Statements are 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). All amounts are expressed in United States Dollars (USD) unless otherwise indicated.

Overview

Maha Energy AB is an independent, Swedish based, international upstream oil and gas Company whose business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.

The head office is located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden. The Company maintains a technical office at Suite 1140, 10201 Southport Road SW Calgary, Alberta, Canada T2W 4X9. The Company has an operations office in Newcastle, Wyoming, United States of America.

Maha Energy AB 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.

The Company’s main asset as at September 30, 2016 is the LAK Ranch oil field, located on the eastern edge of the multi-billion barrel Powder River Basin in Wyoming, USA. As at September 30, 2016, the Company held a 99% working interest and operates the field.

The Company also owns a 50% working interest in the Manitou property and a 30% working interest in

the Marwayne property which were acquired from Palliser Oil and Gas Corp. in July 2014. Both these assets (the “Canadian Assets”) are located in Canada.

During the first nine months of 2016, the Company entered into definitive purchase and sale agreements with two companies to acquire a 75% operated interest in an onshore production block located in the Sergipe Alagoas Basin in Brazil. The acquisitions remain subject to regulatory approvals by the Brazilian Government and the Brazilian National Oil Agency which is expected to occur during the fourth quarter of 2016.

Strategy

The Company business activities include exploration, development and production of crude oil. The Company’s core expertise is in primary, secondary and enhanced oil and gas recovery technologies and as such its business strategy is to target and develop underperforming hydrocarbon assets. By focusing on assets with proven hydrocarbon presence and applying modern and tailored solutions to recover the hydrocarbons in place, the Company’s primary risk is not uncertainty in reservoir content but fluid extraction.

The board of directors of the Company may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the board of directors’ consideration of the qualitative and quantitative aspects of the subject properties, including risk profile, technical upside, resource potential, reserve life and asset quality.

Listing on Nasdaq First North Stockholm

On July 29, 2016, Maha Energy AB’s class A shares (trading symbol Maha A) and share purchase warrants (trading symbol Maha A TO 1) commenced trading on the Nasdaq First North Stockholm stock exchange. Concurrent with the listing on the First North stock exchange, the Company completed a financing (the “Offering”) at 19 SEK per unit whereby each unit consisted of 4 Class A shares and 1 share purchase warrant. The Company raised SEK 108.0 million SEK (US\$ 12.6 million as at final closing date, August 5, 2016 US\$/SEK exchange rate 8.56) in cash

proceeds and issued 6,204,963 units (24,819,852 A-Shares and 6,204,963 share purchase warrants) including 513,010 units that were issued to the Guarantor group as payment of 9% fees owed under the guarantee agreements.

The Company intends to use the proceeds from the Offering along with the existing working capital to:

- fund the acquisitions in Brazil;
- fund drilling and workover operations in Brazil;
- start the initial phase 3 development at the Company's LAK asset in Wyoming;
- fund general and administrative expenses.

Share data

As at September 30, 2016 the Company had 68,078,782 shares outstanding of which 54,469,388 were class A shares, 13,609,394 were class B shares. In addition, Maha (Sweden) issued 4,592,527 convertible class C shares (C1 and C2). In the event that the existing Maha (Canada) stock options and warrants are exercised these convertible class C shares will be redeemed and exchanged for Maha (Sweden) Class A shares. In the event that the Maha (Canada) stock options and warrants are not exercised, the convertible class C shares will be redeemed and cancelled.

Subsequent to September 30, 2016, Maha AB closed a private placement of 484,212 new shares at a market price of SEK 10.25 per share (i.e total SEK 4,963,172). This was a result of a breach in the Guarantor's "lock up" agreement.

Brazil Acquisitions

On March 10, 2016, the Company entered into a definitive purchase and sale agreement with a private, Texas based company, which has a 37.5% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil and is the designated operator of the block. The acquisition is subject to the approval of the Brazilian Government and the Brazilian National Oil Agency ("ANP"). The Company has paid a refundable deposit in the amount of US\$ 500,000.

On January 18, 2016, the Company entered into a definitive purchase and sale agreement with Petro Vista Energy Corp whereby the Company will acquire an additional non-operated 37.5% working interest in the Tartaruga development block. The acquisition

price of Canadian Dollar (CAD) \$2.5 million will be paid in equal installments with the first payment upon successful approval of the transaction by the Brazilian Government and ANP and the second payment by December 2016. Maha has also entered into a loan agreement with Petro Vista Energy Corp whereby funds were provided for Petro Vista to resolve outstanding joint interest billings for up to \$815,500. \$750,000 of the loan will form part of the acquisition purchase price in the event of closing while the remaining amount will be deducted from the first installment.

Upon closing of the two acquisitions, the Company would be the operator and hold a 75% working interest in the Tartaruga Block. Management has commenced the approval process and believes that the process could be completed during the fourth quarter of 2016.

Results of operations

Operations

Canadian Assets

For the nine months ended September 30, 2016, the Company generated revenue of \$180,304 on an average sales volume of 32 boepd compared with \$559,273 of revenue during the nine months ended September 30, 2015 from an average of 62 boepd. Lower production volumes were a result of lower field activity due to a change in operatorship and lower oil prices.

The crude oil produced from the Manitou and Marwayne areas is 12° API. The Canadian Assets produced a total of 8,808 barrels net to Maha in the first nine months of 2016. The average price received was CAD 26.96

Operating costs associated with the Canadian Assets were \$149,487 for the nine months ended September 30, 2016 compared with \$312,517 for the comparable period ended September 30, 2015. Lower operating costs in 2016 were due to lower field activity.

In July 2016, the operator of the Canadian Assets, which had been in receivership since February 2015, was purchased by a Canadian Company. The new operator has indicated that field activity will increase during the second half of 2016 as they seek to increase production from existing wells by way of workovers.

LAK Ranch

As at September 30, 2016, the LAK Ranch asset is considered to be in the pre-production stage and is currently undergoing delineation and pre-development work. As such, operating costs net of revenues since the commencement of operations have been capitalized as part of the exploration and evaluation costs.

The LAK field was shut in starting April 2016 and remained shut in until August 2016, primarily due to low oil prices and the requirement for reservoir pressure maintenance. During the shut-in period, the Company commenced the capital investment to allow for produced water recycling, which is critical for handling of produced water and re-injection of water for pressure maintenance. The project was completed in August and production from a limited number of wells was re-established by the end of August 2016.

Technical work completed during 2015 has now laid the groundwork for the full field development plan. The full field development plan contemplates hot water injection, rather than steam playing a more significant role than originally anticipated. The extra cost of hot water injector wells are far offset by the elimination of steam requirements. The field development plan was evaluated by the Company's independent reserve auditors, and the Company reserves for LAK Field at the end of November 2015 were 12.9 million barrels of oil (Proven and Probable (2P)).

General and administrative

During the nine months ended September 30, 2016, general and administrative ("G&A") costs were \$1,187,485 compared to \$999,992 for the same period September 30, 2015.

Transaction costs

During the nine months ended September 30, 2016, the Company incurred \$435,972 in transaction costs which primarily related to marketing fees associated with the listing on Nasdaq First North and professional fees associated with the Brazil acquisition.

Stock-based compensation

Stock based compensation expense for the nine months ended September 30, 2016 was \$115,171 similar to \$118,493 for the comparable period September 30, 2015.

Liquidity and capital resources

The Company is in the oil exploration and development business and is exposed to a number of risks and uncertainties inherent to the oil industry. This activity is capital intensive at all stages and subject to fluctuations in oil prices, market sentiment, currencies, inflation and other risks. The Company currently has insufficient cash flow from production, and relies primarily on equity to fund its development and administrative activities. Material increases or decreases in the Company's liquidity may be substantially determined by the success or failure of its development activities, as well as its continued ability to raise capital or debt.

Financial instruments and risks

As at September 30, 2016, the Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable.

The Company classifies its cash and cash equivalents as fair value through profit or loss, its accounts receivable as loans and receivables, and its accounts payable as other financial liabilities. IFRS 7 Financial Instruments – Disclosures establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the Offering documents on how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures is described below:

(a) Currency risk

As at September 30, 2016, the Company's expenditures are predominantly in USD, CAD and Swedish Kronor (SEK), and any future equity raised is expected to be in Swedish Kronor. Future project exploration and development expenditures are

expected to be paid primarily in USD. A significant change in the relative currency exchange rates between the Canadian, Swedish Kronor and the USD could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As such, the Company is subject to risk due to fluctuations in the exchange rates for the USD, Canadian and Swedish Kronor.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian and Swedish financial institutions in non-interest bearing accounts.

The Company has made loans and deposits as part of the PVE and TDC Acquisitions. These loans and deposits are secured by shares by the Brazilians subsidiaries of the vendors. In the event the PVE and TDC Acquisitions are not approved the loans and deposits will be at risk to the extent the shares offered as security are unenforceable.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its management of capital as outlined in note 12 to the Interim Financial Statements. Accounts payable relating to oil and gas interests and other accounts

payable and accrued liabilities are due within the current operating period.

The Company has a positive working capital of US\$ 13,188,372 as at September 30, 2016. As the Company's LAK Project is in the pre-production phase of development no assurance can be given that the budgeted production levels necessary for positive cash flow will be achieved. Operating activities and expenditures may increase or decrease, depending on the rate of success during the pre-production phase.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices.

Legal matters

None outstanding.

Seasonal effects

Maha Energy has no significant seasonal variations.

Maha Energy AB

Condensed Consolidated Interim Statement of Financial Position

As at (Unaudited - Expressed in U.S. dollars)	September 30 2016	December 31 2015
Assets		
Current assets		
Cash	\$ 11,879,919	\$ 4,592,780
Accounts receivable	57,932	103,622
Deposit & Loan (Note 5)	1,315,500	-
Prepaid expenses and other	141,799	53,615
	13,395,150	4,750,017
Non-current assets		
Exploration and evaluation assets (Note 6)	17,085,367	16,314,660
Property and equipment (Note 7)	1,704,907	1,745,058
Performance bonds and other (Note 8)	150,794	161,595
	\$ 32,336,218	\$ 22,971,330
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 206,778	\$ 350,461
Non-current liability		
Decommissioning provision (Note 9)	862,782	834,685
	1,069,560	1,185,146
Shareholders' equity	31,266,658	21,786,184
	\$ 32,336,218	\$ 22,971,330

Maha Energy AB

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(unaudited Expressed in U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Oil sales	\$ 77,219	\$ 145,588	\$ 180,304	\$ 559,273
Less: royalties	9,774	26,898	15,379	90,889
Total Oil revenues	67,444	118,690	164,924	468,384
Expenses				
Production and operating	84,052	110,329	149,487	312,517
General and administration	501,169	318,076	1,183,259	999,992
Transaction costs	-	-	435,972	-
Stock-based compensation (Note 10)	27,787	53,373	115,171	118,493
Impairment of PPE & E&E	-	617,451	-	617,451
Depletion depreciation and accretion (Note 9)	20,101	109,777	59,624	342,736
Foreign currency translation loss/(gain)	(10,380)	(25,840)	9,844	(35,422)
	622,729	1,183,166	1,953,357	2,355,757
Comprehensive loss for the period	\$ (555,285)	\$ (1,064,476)	\$(1,788,433)	\$ (1,887,383)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.04)	(0.04)
Weighted average number of common shares outstanding	61,851,563	43,256,930	49,387,796	43,225,362

Maha Energy AB

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited Expressed in U.S. dollars)

	<u>January 1, 2016 to September 30, 2016</u>	<u>January 1, 2015 to December 31, 2015</u>	<u>January 1, 2015 to September 30, 2015</u>
Shareholders' equity	\$	\$	\$
Balance, beginning of period	21,786,184	25,481,914	25,481,914
IPO share offering-(net of share issue costs)	11,225,417	-	-
Warrants exercised	-	36,684	35,784
Stock-based compensation	115,171	171,866	118,493
Translation differences	(71,681)	-	-
Net (loss) for the period	(1,788,433)	(3,904,280)	(1,887,383)
Shareholders' equity end of period	31,266,658	21,786,184	23,748,808

Maha Energy AB

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited Expressed in U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net loss for the period	\$ (555,285)	\$ (1,064,476)	\$ (1,788,433)	\$ (1,887,383)
Operating activities				
Add backs:				
Stock based compensation	27,787	53,373	115,171	118,493
Impairment	-	617,451	-	617,451
Depletion and depreciation and accretion	20,101	109,777	59,624	342,736
Unrealized foreign exchange (gain)/loss	(74,298)	(21,130)	(57,556)	(38,086)
Changes in non-cash working capital (note 14)	(430,041)	104,167	(191,455)	(140,177)
	(1,011,737)	(200,838)	(1,862,650)	(986,966)
Investing activities				
Brazil deposits & loans	-	-	(1,315,500)	-
Purchase of developed and producing assets (note 7)	-	(13,934)	(5,500)	(195,645)
Purchase of exploration and evaluation assets (note 6)	(227,018)	(529,084)	(770,707)	(2,082,715)
Purchase of performance bonds (note 8)	12,154	-	10,800	(198)
Changes in non-cash working capital (note 14)	-	(564,018)	-	(1,531,044)
	(214,864)	(1,107,036)	(2,080,907)	(3,809,602)
Financing activity activities				
Common stock and warrants issued for cash	12,683,206	-	12,683,206	35,784
Share issue costs	(1,076,471)	-	(1,457,789)	-
Changes in non-cash working capital (note 14)	5,279	-	5,279	-
	11,612,014	-	11,230,696	35,784
Net (decrease)/increase in cash during the period	10,385,413	(1,307,873)	7,287,139	(4,760,784)
Cash and cash equivalents, beginning of period	1,494,506	6,798,664	4,592,780	10,251,575
Cash and cash equivalents, end of period	11,879,919	5,490,791	11,879,919	5,490,791

Notes to the Interim Financial Statements

For the three and nine months ended September 30, 2016 and 2015. (Tabular amounts are in United States Dollars, unless otherwise stated).

1. Corporate information and basis of presentation

Maha Energy AB is engaged in the acquisition, exploration, and development of oil and gas properties. The Company's main focus is the development of the LAK Ranch Project, in Wyoming, USA and commercial production has not yet commenced. The Company has producing assets in Canada near the Lloydminster area of Alberta and Saskatchewan.

The head office is located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden. The Company's subsidiary Maha Energy Inc. maintains its technical office at Suite 1140, 10201 Southport Road SW Calgary, Alberta, Canada T2W4X9. The Company has an operations office in Newcastle, Wyoming, United States of America.

Maha Energy AB ("the Company" or "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.

Roll up

In May 2016, Maha (Sweden) undertook a corporate restructuring (the "Roll Up") whereby the shareholders of Maha (Canada) elected to either acquire class A Shares in Maha (Sweden) or Exchangeable Maha (Canada) Shares (as defined in Note 10 "Share capital"). Upon completion of the Roll up, Maha (Canada) became a wholly owned subsidiary of Maha (Sweden).

As a result of the Roll Up, Maha (Sweden) became the legal parent company of Maha (Canada). The Roll Up transaction did not meet the definition of a business combination in accordance with IFRS 3; Business Combinations, consequently the Interim Financial Statements are issued under the legal parent Maha Energy AB, but are deemed to be a continuation of the legal subsidiary Maha Energy Inc. The capital structure reflects the number of shares

and the stated share capital is that of Maha Energy AB.

These consolidated interim financial statements (the "Interim Financial Statements") reflect the activity for the three and nine months ended September 30, 2016 and the comparative for Maha Energy Inc. for the three and nine months ended September 30, 2015.

Presentation and Functional Currency

The Interim Financial Statements are stated in United States Dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") applicable to the presentation of financial statements.

The preparation of Interim Financial Statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in Note 4.

The Company prepared these Interim Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, these Interim Financial Statements have been prepared on a historical cost basis except for its current assets and liabilities that have been measured at fair value.

2. New and future accounting pronouncements

The following new standards and amendments have been issued but are not effective during the three and nine months ended September 30, 2016,

- IFRS 15 New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Effective for annual periods beginning on or after January 1, 2018.
- IFRS 9 New standard on financial instruments that will replace IAS 39. Effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 was issued January 2016 and replaces IAS 17 Leases. The standard introduces a single lessee accounting model for leases with required recognition of assets and liabilities for most leases. The standard is effective for fiscal years beginning on or after January 1, 2019 with early adoption permitted if the Company is also applying IFRS 15 Revenue from Contracts with Customers.

The Company is currently assessing the impact that these new and amended standards will have on the consolidated financial statements.

3. Summary of significant accounting policies

The Consolidated Accounts have been prepared in accordance with the IFRS adopted by the EU, and with the Swedish Financial Reporting Board recommendation, RFR1, complementary accounting rules for Groups, which specifies the supplementary information required in addition to IFRS standards, pursuant to the provisions of the Swedish Annual Accounts Act. This Interim Report for the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, and in accordance with the Swedish Annual Accounts Act, while the Parent Company accounts have been prepared in accordance with the Swedish Annual Accounts Act.

(a) Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the time of issuance to be cash equivalents.

(b) Exploration and evaluation assets

Pre-license costs are recognized as an expense when incurred. Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, exploratory drilling and completion costs, and directly attributable general and administrative costs are initially capitalized as either tangible or 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.

Therefore, as part of the pre-development phase all operating costs and incidental revenue have been capitalized as a part of the E&E assets as of September 30, 2016.

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.

E&E assets are reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(c) Property and equipment

Unless initially classified as E&E assets, all costs related to the acquisition, exploration and development of oil and natural gas properties are capitalized and are measured at historical cost less accumulated depletion and depreciation and accumulated impairment losses. These costs include proved property additions, development drilling and completions, costs for production facilities, decommissioning costs, and carrying costs. Repairs and maintenance costs are expensed as incurred. The Company does not capitalize indirect general and administrative overhead costs.

The difference between the proceeds from the disposition of oil and natural gas properties and the carrying value of accumulated costs of the properties sold will be recorded as gain or loss in the consolidated statement of operations and comprehensive loss in the period in which the disposition occurred.

Depreciation of corporate and other fixed assets is calculated using the straight line method over the useful lives of the assets.

(d) Impairment

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are grouped together into cash-generating units ("CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell or disposal ("FVLCO").

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

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

An impairment loss is recognized in earnings if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

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

accumulated depletion and depreciation, if no impairment loss had been recognized.

(e) Decommissioning Provision

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provisions are made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provision is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provision is charged against the provision to the extent the provision was established.

(f) Share-based compensation

The Company has granted options to purchase common stock to directors, officers, employees, consultants and certain service providers under Maha (Canada)'s stock option plan. 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 contributed surplus.

The fair value of stock options 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 behaviour), 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.

(g) Loss per share

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

Diluted 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.

(h) 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 directly in equity.

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income taxes 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 the asset will be realized.

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

(i) Foreign currency translation

The functional currency of the Maha (Sweden), being the currency of the primary economic environment in which Maha (Sweden) operates, is the Swedish Kronor (SEK). Management has determined that the functional currencies of the Company's subsidiaries are as follows:

Subsidiary	Functional Currency
Maha Energy AB	SEK
Maha (Canada)	US\$
Maha Energy (USA) Inc.	US\$
Maha Energy 1 (Brazil) AB	SEK
Maha Energy 2 (Brazil) AB	SEK

While the Company's Canadian operations are partially conducted in Canadian dollars (CDN\$) the Company has determined that the functional currency for the Canadian parent is also the US\$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of operations and comprehensive loss.

(j) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

Maha's financial instruments comprise of cash and cash equivalents, accounts receivable, performance bonds and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets

Cash and cash equivalents

Cash and cash equivalents are classified as FVTPL. Realized and unrealized gains and losses on financial assets carried at FVTPL are recognized in net income in the periods such gains and losses arise. Transaction costs related to these financial assets are included in net income when incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Performance bonds and accounts receivable are classified as loans and receivables.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(ii) Financial liabilities

Other financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. The Company has classified its accounts payable as other financial liabilities.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

(k) Revenues

Revenues associated with the production and sale of crude oil owned by the Company are recognized when title to the product passes to the purchaser, the amount can be measured reliably, the risks and rewards of ownership of the product have been transferred to the purchaser, and the Company no longer retains control over the product sold.

Proceeds from sale of crude oil prior to the commencement of commercial production are offset against capitalized costs as the Company is at the pre-production stage (Note 6).

(l) Joint operations

The Company accounts for activities as joint arrangements when the agreement of the Company and one or more of the other venturer(s) is required to approve all significant project decisions, thereby creating joint control of the operations. If the parties exercising joint control have the right and obligations to the assets and obligations of the joint arrangement as a result of specific contractual agreements or because of the unincorporated nature of the joint arrangement, the Company accounts for the joint arrangement as a joint operation. The Company has no joint arrangements that are structured as an incorporated joint venture or where the Company and the other venturer(s), acting jointly, only have the right to its net assets.

(m) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with IFRS 3, Business Combinations. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the assets or acquiree. Goodwill is recognized when the consideration paid exceeds the aggregate fair

values of the assets and liabilities acquired. Acquisition-related transaction costs are recognized in the statement of comprehensive income (loss) as incurred

Producing property acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred at the date of completion of the acquisition. Acquisition costs incurred are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the Company's share of the net assets required, the difference is recognized directly in the statement of operations and comprehensive loss.

4. Critical accounting estimates and judgments

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

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

(a) Impairment Indicators and Discount Rate

For purposes of impairment testing, developed and producing assets are aggregated into CGUs, based on separately identifiable and largely independent cash inflows. The determination of the Company's CGUs is subject to judgment.

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

(b) Reserve Estimates

Reserve estimates impact a number of key areas, in particular, the valuation of property, plant and equipment and the calculation of depletion and depreciation. Developed and producing assets are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with Canadian Securities Administrators National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Reserve estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depletion and depreciation, decommissioning provision, deferred taxes, asset impairments and business combinations. Independent reservoir engineers perform evaluations of the Company's oil and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecasts, commodity prices, costs and related future cash flows, all of which may vary considerably from actual

results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

(c) 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 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 of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

(d) 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. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

The timing of when a project achieves technical feasibility and commercial viability involves judgement as it is determined based on a number of factors that can only be confirmed after a period of production history. In addition, new and evolving technologies may impact this assessment. The Company continues to monitor its project currently under development.

(e) Business Combinations

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

(f) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate being the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters. The Company has not recognized deferred tax assets relating to tax losses carried forward. Timing of utilization of the tax losses depends on the ability of the Company to generate taxable profits. The estimation of this timing is based on a number of factors including judgements of the future pricing and profitability.

(g) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms of the grant. This estimate

also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 10.

5. Brazil Transactions

Petro Vista Acquisition

On January 18, 2016, Maha entered into a purchase and sale agreement with Petro Vista Energy Corp., a Canadian publically listed company (“PVE”) whereby Maha will acquire a non-operated 37.5% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil (the “PVE Acquisition”). Maha (Canada) has also entered into a loan agreement with PVE whereby funds were provided for PVE to resolve outstanding joint interest billings for up to USD \$815,000. The shares of Petro Vista Energy Holdings (Barbados) Corp., an entity that indirectly owns a 100% of quotas of Petro Vista Brazil, are pledged as security on the loan. The loan will form part of the purchase price in the event of closing and is secured against the assets of PVE.

The acquisition price of CAD \$2.5 million will be paid in equal installments with the first payment upon successful approval of the transaction by the Brazilian Government and ANP. The second payment is due by December 2016.

TDC Acquisition

On March 17, 2016, the Company entered into a purchase and sale agreement with TDC Engineering, a private company from Texas, USA (“TDC”) to acquire an additional 37.5% working interest in the Tartaruga field located in Brazil by way of acquisition of TDC’s wholly owned Brazilian subsidiary UPP (the “TDC Acquisition”). UPP is the operator of the Tartaruga field. The acquisition price is US\$3.85 million of which a US\$500,000 refundable deposit was made on March 22, 2016 with the remaining

payment of US\$3.35 million due upon closing, once the Brazilian Government and ANP have approved the transaction. The deposit is refundable in the event the transaction does not close for reasons other than the failure to make the remaining US\$3.35 million payment.

Both acquisitions are subject to, inter alia, consents and approvals from governmental authorities in Brazil. In the event the acquisitions will be completed, completion is expected to occur during the fourth quarter of 2016.

The PVE Acquisition and TDC Acquisition will, in the event the acquisitions are completed, be completed through Maha Energy Brazil 1 and Maha Energy Brazil 2, which are wholly owned subsidiaries of Maha (Canada).

Deposits and Loans related to the PVE and TDC Acquisitions

As at September 30, 2016 the Company has made refundable deposits and secured loan agreements as part of the TDC & PVE acquisitions. The amounts are recorded as follows:

Loan to PVE	\$	815,500
TDC refundable deposit		500,000
Total		1,315,500

Transaction Costs

As part of the PVE and TDC Acquisitions the Company incurred costs associated with the transactions including legal, due diligence, travel and funding of interim joint interest billings which have been classified as transaction expenses and included on the interim statements of operations and comprehensive income.

6. Exploration and evaluation assets (“E&E”)

As at September 30, 2016, the LAK Ranch Project had not established both technical feasibility and commercial viability and therefore remains classified as an E&E asset. Cumulative net of revenues for the LAK Ranch Project have been capitalized as E&E.

	September 30, 2016	December 31, 2015
	\$	\$
Opening balance, beginning of period	16,314,660	13,301,041
Expenditures	862,016	2,814,157
Transfer from Property & Equipment	-	618,742
Impairment	-	(156,208)
Incidental income from sale of crude oil	(91,309)	(263,072)
Closing balance, end of period	17,085,367	16,314,660

7. Property and equipment

Cost	D&P Assets \$	Equipment and Other \$	Total \$
Balance at December 31, 2015	2,934,532	1,596,240	4,530,772
Additions	-	5,500	5,500
Balance, September 30, 2016	2,934,532	1,601,740	4,536,272
Accumulated depletion and depreciation			
Balance at December 31, 2015	2,673,000	112,714	2,785,714
Additions	-	45,651	45,651
Balance, June 30, 2016	2,673,000	158,365	2,831,365
Carrying amount December 31, 2015	261,532	1,483,526	1,745,058
Carrying amount September 30, 2016	261,532	1,443,375	1,704,907

8. Performance bonds

The Company purchased performance bonds as required by the Wyoming Oil and Gas Conservation Commission and operator of the property. The bonds bear interest at rates ranging from 0.25% to

0.35%. If the operator or the other working interest partners fail to remediate the well site, the bonds will be used to fund this obligation.

9. Decommissioning provision

The Company has calculated a decommissioning provision with respect to its LAK Ranch Project and developed and producing assets. The total estimate undiscounted amount of cash flow required to settle the decommissioning provision is approximately \$1.25 million, which will be incurred over the remaining life of the assets with the majority to be incurred between 2027 to 2038. The current year decommissioning provision recognizes the continuing obligation for the retirement of assets in which the estimate is based on the following assumptions:

Inflation 2.5%
Discount rate 1.50% - 2.50%

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

Balance at December 31, 2014	\$ 854,825
Accretion expense	18,351
Change in estimates	7,909
Foreign exchange	(46,400)
Balance at December 31, 2015	\$ 834,685
Accretion expense	13,972
Foreign exchange movement	14,125
Balance at September 30, 2016	\$ 862,782

10. Share Capital

Maha Energy AB Initial Public Offering

On July 29, 2016, Maha Energy AB's class A shares (trading symbol Maha A) and share purchase warrants (trading symbol Maha A TO 1) commenced trading on the Nasdaq First North Stockholm stock exchange. Concurrent with the listing on the First North stock exchange, the Company completed a financing (the "Offering") at 19 SEK per unit whereby each unit consisted of 4 Class A shares and 1 share purchase warrant. The Company raised SEK 108.1 million (US\$ 12.6 million as at final closing date, August 5, 2016 USD/SEK exchange rate 8.56) in cash proceeds and issued 6,204,963 units (24,819,852 A-Shares and 6,204,963 share purchase warrants) including 513,010 units with a value of SEK 9.7 million (USD 1.1 million as at final closing date, August 5, 2016 US/SEK exchange rate 8.56) that were issued to the guarantor group as payment of 9% fees owed under the guarantee agreements.

Maha Energy AB Capital

Maha (Sweden) was acquired as a shelf company without previous operations for the purpose of becoming the parent company of Maha (Canada). As a result of the Roll Up, Maha (Sweden) became the legal parent company of Maha (Canada). The Roll Up transaction was accounted for as a reverse takeover and therefore the Interim Financial Statements are a continuation of Maha Energy Inc. but the capital structure reflects the number of shares and the stated share capital is that of Maha (Sweden).

According to the articles of association of Maha (Sweden), the share capital may not be less than SEK 517,000 (US\$ 60,500) and not more than SEK 2,068,000 (US\$ 242,000), divided into not fewer than 47,000,000 shares and not more than 188,000,000 shares. Shares may be issued in four (4) different classes and shall be divided between class A (A-Shares), class B (Convertible B-Shares), class C1 (Convertible C1-Shares) and class C2 (Convertible C2-Shares). The A-Shares may be issued up to a number corresponding to 100% percent of the Maha (Sweden) total share capital, the Convertible B-Shares may be issued to a number corresponding to 35% of the Maha (Sweden) total share capital and the Convertible C-Shares may be issued to a number corresponding to 10% of the Maha (Sweden) total

share capital, of which Convertible C1-Shares may be issued to a number corresponding to 4% of the Maha (Sweden) total share capital and Convertible C2-Shares may be issued to a number corresponding to 6% of the Maha (Sweden) total share capital.

The rights associated with the shares issued by the Company, including those required by the articles of association may only be amended in accordance with the procedures set out in the Swedish Companies Act.

At shareholders' meetings, each shareholder is, according to the Swedish Companies Act, entitled to vote for the full number of A-Shares, Convertible B-Shares or Convertible C-Shares that the shareholder owns or represents without restrictions to the entitlement to vote. Each A-Share and Convertible B-Share shall carry one vote per share. Each Convertible C1-Share shall carry one tenths (1/10) of a vote and each Convertible C2-Share shall carry two tenths (2/10) of a vote.

Roll Up

On May 15, 2016, a corporate restructuring occurred (the "Roll Up") whereby the newly acquired Maha (Sweden) became the parent company of Maha (Canada) by issuing 29,478,036 A-Shares and 13,609,394 Convertible B-Shares of Maha (Sweden). The A-Shares were issued against payment in kind in the form of an equal amount of common shares in Maha (Canada) while the Convertible B-Shares were issued in the form of an exchange of common shares in Maha (Canada) against exchangeable shares in Maha (Canada) (the "Exchangeable Maha (Canada) Shares").

Each Exchangeable Maha (Canada) Share is exchangeable for a Maha (Sweden) A-Share and, prior to such exchange, will have economic rights that are substantially equivalent to the Maha (Sweden) A-Shares, including with respect to the payment of dividends equal to those paid to the holders of Maha (Sweden) A-Shares and the rights on the liquidation or dissolution of Maha (Canada). The Exchangeable Maha (Canada) Shares will not have any right to the assets and liabilities of Maha (Canada).

The ability to acquire the Exchangeable Maha (Canada) Share assists Canadian residents to defer capital gains tax otherwise incurred on the Roll Up.

15 Maha (Canada) shareholders, representing 13,609,394 shares elected to convert to Exchangeable Maha (Canada) Shares. For each Exchangeable Maha (Canada) Share issued one Convertible B-Share of Maha (Sweden) was issued. The Convertible B-Shares are not entitled to dividends of Maha (Sweden). Pursuant to relevant support agreements a mechanism is in place to allow holders of Exchangeable Maha (Canada) Shares to vote a corresponding number of Convertible B-

Shares of Maha (Sweden), to receive similar dividends issued to holders of Maha (Sweden) A-Shares and to convert such Exchangeable Maha (Canada) Share for a Maha A-Share.

The combined number, ownership and rights associated with Maha (Sweden) A-Shares and Convertible B-Shares is substantially equal to the number of Maha (Canada) common shares prior to the Roll Up.

Shares Outstanding

	Number of Shares by Class					Total
	A	B	C1	C2		
June 16, 2015 – Incorporation	50,000	-	-	-	-	50,000
May 20, 2016 – Roll Up						
Cancellation incorporation shares	(50,000)	-	-	-	-	(50,000)
Roll up	29,478,036	13,609,394	1,844,527	2,748,000	-	47,679,957
Initial Public Offering	24,819,852	-	-	-	-	24,819,852
Final closing of Roll up	171,500	-	-	-	-	171,500
Total	54,469,388	13,609,394	1,844,527	2,748,000		72,671,309

Maha AB share purchase warrants outstanding

As part of the Offering, the Company issued common share purchase warrants, each convertible into one class A share of Maha (Sweden), upon payment of the exercise price. The warrants have an exercise price of SEK 6.40 and expire on January 15, 2018.

	Maha AB Share Purchase Warrant #	Exercise Price ⁽¹⁾ \$
Balance at December 31, 2015	-	-
Granted	6,204,963	0.75
Balance at September 30, 2016	6,204,963	\$0.75

(1) Maha AB share purchase warrants have an exercise price of SEK 6.40 converted at the September US/SEK exchange rate of 8.57

Maha (Canada) Stock options and share purchase warrants

The Company has also issued 4,592,527 Convertible C-Shares (Class C1 and C2) to AMHA Swedish Exchange Co AB (“Swedish Exchange Co”), a company created under the laws of Sweden to hold the Convertible B-Shares and the Convertible C-Shares. The Convertible C-Shares have been issued to facilitate delivery of shares under Maha (Canada)’s existing stock-based incentive plan and delivery of shares for the exercise of outstanding warrants issued by Maha (Canada) during 2014. The intention is that the option and warrant holders shall become shareholders in Maha (Sweden) instead of Maha

(a) Maha (Canada) stock option plan

(Canada) and in order to facilitate such exchange the Company has issued the Convertible C-Shares. Upon the acquisition of Maha (Canada) common shares by the option and warrant holders, such shares will be exchangeable for Convertible C-Shares in the Company. The Convertible C-Shares will thereafter be converted to a Maha (Sweden) A-Shares. In the event all Convertible C-Shares are not exchanged for Maha (Canada) common shares and the relevant options and warrants have expired, such remaining Convertible C-Shares will be redeemed in accordance with the redemption clause in the Company’s articles of association.

Maha (Canada) has a stock option plan which allows the Company to grant stock options, at exercise prices equal to or close to market price, in amounts up to 10% of the number of common shares issued. All of the options have a four to five-year term. The options were granted in 2014, 2015 and on January 1, 2016 and the remaining unvested options vest one-third on each anniversary date for the three years following the date of granting.

Expiration date	Number of Options		Exercise Price	Remaining Life
	#	#	\$	Years
March 31, 2018	1,648,000	1,648,000	0.45	1.50
December 31, 2018	400,000	266,667	0.75	2.25
December 31, 2018	350,000	233,333	1.25	2.25
July 15, 2020	300,000	100,000	1.25	3.79
December 31, 2020	50,000	-	1.25	4.25
Total outstanding	2,748,000	2,248,000	\$0.70	2.00

On January 1, 2016, the Company issued to a key employee 50,000 stock options at an exercise price of \$1.25. By way of an option amending agreement signed as part of the Roll up, each options holder agreed to receive a class A share instead of a common share of Maha (Canada) upon exercise of the stock option. The value of the warrants and stock options issued during the period ended September 30, 2016 were calculated using the Black-Scholes model with the following assumptions:

	2016	2015
Expected term	5 years	5 years
Volatility	60%	60%
Expected dividend yield and forfeiture rate	nil	nil
Risk-free interest rate	0.90%	0.90%

The following stock options are outstanding at September 30, 2016:

	Number of Options	Exercise Price
	#	\$
Balance, December 31, 2014	2,400,000	0.62
Granted	300,000	1.25
Exercised	(2,000)	0.45
Balance, December 31, 2015	2,698,000	0.69
Granted	50,000	1.25
Balance, September 30, 2016	2,748,000	0.70

(a) Maha (Canada) share purchase warrants outstanding

Each of the Company's common share purchase warrants is convertible into one class A share of Maha (Sweden), upon payment of the exercise price. By way of a warrant amending agreement signed as part of the Roll up, each warrant holder agreed to receive a Class A share instead of a common share of Maha Energy Inc. upon exercise of the relevant Maha (Canada) warrants.

	Maha (Canada) Share Purchase Warrant	Exercise Price
	#	\$
Balance at December 31, 2014	2,635,405	\$1.36
Exercised	(79,519)	0.45
Expired	(711,359)	0.45
Balance at December 31, 2015 and September 30, 2016	1,844,527	\$1.75

On November 17, 2016 1,742,887 Maha (Canada) share purchase warrants expired unexercised with an exercise price of US\$1.75. Therefore upon expiry a corresponding number of Maha Energy AB Convertible Class C2 shares will be retracted and cancelled by Maha Energy AB.

The remaining 101,640 Maha (Canada) share purchase warrants have an expiry date on December 11, 2016.

11. Financial instruments and risk

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, loans and deposits, performance bonds, and accounts payable.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

(a) Fair value risk

The fair values of cash, accounts receivable, loans and deposits and accounts payable approximate their carrying amount due to their short-term maturity of those instruments. The fair value of the performance bonds approximates the carrying amount.

(b) Currency risk

As at September 30, 2016, the Company's capital expenditures are predominantly paid in US Dollars, and any future equity raised is expected to be predominantly in Swedish Krona. Future project exploration and development expenditures are expected to be paid primarily in US Dollars. Some

of the Company's expenditures (general and administrative, revenues and operating expenses) are denominated in Canadian dollars. As such, significant change in the relative currency exchange rates between the Canadian dollar, Swedish Krona and the U.S. dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As such, the Company is subject to risk due to fluctuations in the exchange rates for Canadian dollar expenses incurred.

Of the Company's cash, \$312,103 is held at a large Canadian financial institution, \$53,051 is held at a local bank in Newcastle Wyoming and \$11,514,765 is held at a bank in Stockholm Sweden. Total cash consists of \$11,879.919 of which \$72,284 is held in CAD funds and \$11,514,765 is held in Swedish Krona (SEK).

(c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company has made loans and deposits as part of the PVE and TDC Acquisitions. These loans and deposits are secured by shares by the Brazilians subsidiaries of the vendors. In the event the PVE and TDC Acquisitions are not approved the loans and deposits will be at risk to the extent the shares offered as security are unenforceable.

(d) Liquidity 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 working capital of \$13,188,372.

The Company manages liquidity risk through its management of capital as outlined in Note 12. Accounts payable relating to oil and gas interests and other accounts payable and accrued liabilities are due within the current operating period.

12. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company does not have any externally imposed capital requirements to which it is subject. As at September 30, 2016, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may issue common stock, or dispose of assets.

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.

13. Geographical information

The Company operates in Canada, Sweden and the United States of America. Segmented information by geographic area is as follows:

	Canada	US	Sweden	Total
As at and for the period ended September 30, 2016				
Revenue	180,304	-	-	180,304
Non-current assets	289,314	18,651,754	-	18,941,068
Total assets	2,010,082	18,817,744	11,508,392	32,336,218
As at and for the period ended September 30, 2015				
Revenue	559,273	-	-	559,273
Non-current assets	1,851,852	17,483,305	-	19,335,157
Total assets	7,300,177	17,620,246	-	24,920,423

14. Changes in non-cash working capital for the period

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Change in:				
Accounts receivable	(17,026)	114,373	45,690	122,079
Prepaid expenses and deposits	(40,557)	7,501	(88,184)	(23,947)
Deposit & Loan on Brazil acquisition	-	-	(1,315,500)	-
Accounts payable and accrued liabilities	(367,180)	(581,273)	(143,683)	(1,769,353)
	(424,763)	(459,399)	(1,501,677)	(1,671,221)
Changes in non-cash working capital				
operating activities	(430,041)	104,619	(191,455)	(140,177)
investing activities	-	(564,018)	(1,315,500)	(1,531,044)
Financing activities	5,279	-	5,279	-
unrealized foreign exchange (gain)/loss	-	-	-	-
	(424,763)	(459,399)	(1,501,677)	(1,671,221)

15. Subsequent Event

Changes in Share Capital

Subsequent to September 30, 2016 the following events occurred which had an impact on the share capital of the Company:

- On November 2, 2016, the Company issue 484,212 new shares of class A at fixed price of SEK 10.25 per share of class A (i.e. in total SEK 4,963,173). The shares were issued as a result of a breach in the Guarantor's agreement which required the new shares to be "locked up" until January 29, 2017.
- On November 17, 2016, 1,742,887 Maha (Canada) share purchase warrants (note 10b) with a strike price of \$1.75 expired. As a result, a corresponding number of convertible class C1 shares have been retracted.
- On November 9, 2016 100,000 Maha (Canada) stock options with an exercise price of \$0.45 were exercised and a 100,000 Maha (Sweden) A-Shares were issued along with a corresponding retraction of the convertible class C2 shares
- 1,468,599 Convertible B-Shares were converted into Maha (Sweden) A-Shares. As a result of this conversion the total number of Maha (Sweden) A-Shares and Convertible B-shares did not change.

As at November 29, 2016, the number of shares outstanding is as follows:

	Number of Shares by Class				
	A	B	C1	C2	Total
Balance at September 30, 2016	54,469,388	13,609,394	1,844,527	2,748,000	72,671,309
Conversion of convertible B shares	1,468,599	(1,468,599)	-	-	-
Issuance of shares	484,212	-	-	-	484,212
Retraction of convertible C1 shares ⁽¹⁾	-	-	(1,742,887)	-	(1,742,887)
Exercise of Maha (Canada) options ⁽¹⁾	100,000	-	-	(100,000)	-
Total	56,522,199	12,140,795	101,640	2,648,000	71,412,634

(1) Retraction of convertible class C1 and C2 shares is subject to completion of the retraction process which as at November 29, 2016 had commenced but not formerly been registered with the Swedish Companies Registration Office.

16. Maha Energy AB Parent Company Financial Statements

Statement of Financial Position

As at (Unaudited - Expressed in SEK)	September 30 2016	December 31 2015
Assets		
Current assets	100,299,559	50,000
Shares in subsidiaries	183,539,886	-
Total assets	283,839,445	50,000
Liabilities	104,565	-
Shareholders' equity	283,734,880	50,000
Total equity and liabilities	283,839,445	50,000

Comprehensive Income Statement

(Unaudited - Expressed in SEK)	Nine months ended September 30	
	2016	2015
Net sales	-	-
Operating profit/loss	333,406	-
Profit/loss for the period	(333,406)	-

Statement of cash flow

As at (Unaudited - Expressed in SEK)	Nine months September 30	
	2016	2015
Cash flow from operating activities	(228,841)	-
Cash flow from investing activities	(1,600,996)-	-
Cash flow from financing activities	100,528,400	-
Net cash flow	98,698,563	
Cash and cash equivalents beginning of period	-	-
Net cash flow	98,698,563	-
Cash and cash equivalents end of period	98,698,563	-

Statement of changes in equity

(Unaudited - Expressed in SEK)	Share capital	Non-restricted equity/other reserves	Retained Earnings	Total Equity
Balance at July 1, 2015	50,000	-	-	50,000
Total comprehensive income	-	-	-	-
Balance at December 31, 2015	50,000	-	-	50,000
Total comprehensive income	-	-	(333,406)	(333,406)
IPO shares issue – (net of issue costs)	273,018	100,205,382	-	100,478,400
Rollup	476,347	183,063,539	-	183,539,886
Balance at September 30, 2016	799,365	283,268,921	(333,406)	283,734,880

Financial calendar

Fourth quarter report (January – December 2016) on March 1, 2017

First quarter report (January – March 2017) on May 30, 2017

Second quarter report (April - June 2017) August 29, 2017

Contact information

For further information please contact:

Jonas Lindvall (CEO)

Tel: +1 403 454 7563

Email: jonas@mahaenergy.ca

Ron Panchuk

Tel: +1 403 454 7564

Email: ron@mahaenergy.ca

Maha Energy AB
Head Office

Biblioteksgatan 1, 4th Floor
111 46 Stockholm, Sweden
(08) 611 05 11

Maha Energy AB
Technical Office

Suite 1140, 10201 Southport Road SW
Calgary, Alberta T2W 4X9
403-454-7560

This report has not been subject to review by the auditors of the company.