



Report for the  
**Three and Nine Months Ended  
30 September 2018**

(org number: 559018-9543)



## Highlights

(all amounts are in US dollars unless otherwise noted)

### Third Quarter 2018

- Daily oil & gas production for the third quarter averaged 1,565 BOEPD (Q3 2017: 1,671 BOEPD). The Tartaruga Field continues to be shut-in during the third quarter as a result of ongoing drilling operations at 107D.
- Revenue of USD 9.0 million (Q3 2017: USD 6.2 million)
- EBITDA of USD 5.4 million (Q3 2017: USD 2.3 million)
- Net result for the period of USD 3.2 million (Q3 2017: USD -0.4 million)
- Earnings per share of USD 0.03 (Q3 2017: USD 0.00)
- Operating netback of USD 6.6 million or USD 46.17 per barrel (Q3 2017: USD 3.9 million or USD 25.58 per barrel)
- Current unrestricted Cash and cash equivalents balance of USD 22.2 million

### Nine Months Ended 30 September 2018

- Daily oil & gas production for the nine months 2018 averaged 1,585 BOEPD (2017: 687 BOEPD).
- Revenue of USD 25.5 million (2017: USD 7.7 million)
- EBITDA of USD 13.9 million (2017: USD 0.3 million)
- Net result for the period of 7.4 USD million (2017: USD -5.3 million)
- Earnings per share of USD 0.08 (2017: USD -0.06)
- Operating netback of 17.5 USD million or 40.70 USD per barrel (2017: 4.1 USD million or 22.86 USD per barrel)

## FINANCIAL SUMMARY

<i>(TUSD, unless otherwise noted)</i>	<b>Q3 2018</b>	Q2 2018	Q1 2018	Q4 2017 <sup>1</sup>	Q3 2017	<b>Nine Months 2018</b>	Nine Months 2017	FY 2017
Net Daily Production (BOEPD)	<b>1,565</b>	1,429	1,762	1,597	1,671	<b>1,585</b>	687	917
Revenue	<b>9,049</b>	7,859	8,629	6,939	6,173	<b>25,537</b>	7,665	14,604
EBITDA	<b>5,392</b>	3,960	4,566	2,930	2,259	<b>13,918</b>	283	3,213
Net result for the period	<b>3,213</b>	1,859	2,306	2,482 <sup>(2)</sup>	(402)	<b>7,378</b>	(5,331)	(2,849)
Earnings per share (USD)	<b>0.03</b>	0.02	0.02	0.03	(0.00)	<b>0.08</b>	(0.06)	(0.03)
Cash and cash equivalents	<b>22,292</b>	20,914	22,779	18,729	18,372	<b>22,292</b>	18,372	18,729

<sup>1</sup> Q4 2017 figures include previously disclosed changes to the 2017 Fourth Quarter Report in April 30, 2018 press release

<sup>2</sup> Includes positive adjustment of TUSD 1,423 in relation to FY 2017. Result for the Q4 2017 period before adjustment was \$1,059 and Earnings per share of 0.01.

## Definitions

### Abbreviations

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

### Oil related terms and measurements

<b>BOE or boe</b>	Barrels of Oil Equivalents
<b>BBL or bbl</b>	Barrel
<b>BOEPD</b>	Barrels of Oil Equivalents Per Day
<b>BOPD</b>	Barrels of Oil Per Day
<b>Mbbl</b>	Thousand barrels
<b>Mboe</b>	Thousand barrels of oil equivalents
<b>Mboepd</b>	Thousand barrels of oil equivalents per day
<b>Mbopd</b>	Thousand barrels of oil per day
<b>MCF</b>	Thousand Cubic Feet
<b>MSCFPD</b>	Thousand Standard Cubic Feet per day
<b>MMSCF</b>	Million Standard Cubic Feet
<b>MMSCFPD</b>	Million Standard Cubic Feet Per Day
<b>BWPD</b>	Barrels of Water Per Day

### Gas to oil conversion

6,000 cubic feet = 1 barrel of oil equivalent

## Letter to shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

I am pleased to present our third quarter report that Maha demonstrates a continuing strong financial position notwithstanding the “feverish pace” of our field level capital and production operations. Maha’s transformational “**three pronged**” (drilling, surface facilities expansion and crude oil and gas offtake arrangements at each field) program to increase production dominated the quarter. Despite slightly lower than anticipated Q3 production numbers (due to extended shut in at Tartaruga while drilling is completed) the buoyant oil price resulted in a **record earning** quarter for the Company.

### Tartaruga Field

While delays were experienced at the Tartaruga operations (including the 107D sidetrack) we are pleased the capital program is now fully “**back on track**”. The Drilling Rig finished mobilization on 20 September, and the 107 D well was thereafter re-entered and prepared for a horizontal sidetrack. As announced on October 17 - the drill-string parted necessitating repairs to the Drilling Rig and fishing of the drill-string. Happily, drilling is again underway to complete the horizontal sidetrack at Tartaruga. On completion of the 107D sidetrack, the Drilling Rig will be moved over to the 7TTG well where a new Penedo zone will be perforated and brought on production. While the delays at Tartaruga reduced the production volumes and pushed back the drilling of the ‘Attic Well’ at the Tie Field; better than expected production results from Tie Field and the “new rig” for the Attic Well (see below) largely mitigate these effects.

### Tie Field

At the end of Q3, the GTE-3 producing well was reconfigured to allow comingled production after technical problems hindered the short string to be selectively produced, as planned. The comingling of these two zones is temporary and once the Tie Field facilities are expanded to handle 5,000 BOPD; GTE-3 will be worked over to allow both zones to produce individually, which translates to higher production volumes. At the end of Q3, the Tie Field facilities were producing at maximum capacity.

As recently announced, a second drilling rig to drill the Attic Well has been contracted. This decision was taken to ensure that the 2019 production goal does not fall behind due to the delays at Tartaruga. Increased production from the Tie Field, Maha’s principal producing asset, largely mitigates the production shut in at Tartaruga at a Corporate level. The expected production from the 107D Sidetrack and the Attic Well will be the “gravy” to the already tremendously successful program!

Last, the final phase at the Tie Field facilities expansion is being completed including the new separators, water injection skids, tanks and other processing equipment that are, as this is written, being installed and commissioned.

### LAK Field

At the end of the Q3 - Maha commenced the planned eight well drilling program at LAK Ranch in Wyoming. The program was completed approximately 2 weeks ahead of schedule and below budget. The purpose of this campaign was to finish what was started in 2014/15 but delayed because of the dip in commodity prices. We now have six horizontal (or near horizontal) production wells supported by nine vertical water injectors (which wells are in the process of being tied in) which completes this Phase of the new hot water injection plan. We anticipate the eight wells drilled this year will cause LAK to consistently deliver net back positive cashflow. Based on the near-term results from the now completed ‘Phase 3’ program, we will decide how we best to proceed with this asset.

## Conclusion

We look forward with great anticipation to Q4 2018 especially the completion and testing of the 107D horizontal sidetrack and completion of the Tie Field facility expansion.

I continue to be grateful for all the support we receive from our family of “Maha Investors” and as we quickly move towards the end of 2018 – I am sure we will look back and conclude this was as a truly transformational year for Maha. Finally, I wish everyone Happy Holidays.

“Jonas Lindvall”  
Managing Director

## Financial Report for the Third Quarter ended September 30, 2018

### OPERATIONAL AND FINANCIAL REVIEW

Maha Energy AB (org number: 559018-9543) (“Maha” or the “Company”) is an independent, Swedish-based, international oil and gas exploration and enhanced oil recovery production company with operations focused on Brazil and USA.

The head office is located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden. The Company maintains a technical support office at Suite 1140, 10201 Southport Road SW, Calgary, Alberta, Canada T2W 4X9, has an office in Rio de Janeiro, Brazil and operational offices in Salvador, Brazil and in Newcastle, Wyoming, USA.

### Strategy

The Company’s business activities include the exploration for and development and production of hydrocarbons. 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 technology solutions to recover the hydrocarbons in place, the Company’s primary risk is not uncertainty in reservoir content but in the fluid extraction.

### Assets

Country	Concession name	Maha Working Interest (%)	Status	Area (acres)	BOEPD <sup>(3)</sup>	Partner
USA	LAK Ranch	99%	Pre-Production	6,475	27	SEC (1%)
Brazil	Tartaruga	75%	Producing	13,201	6	Petrobras (25%)
Brazil	Tie	100%	Producing	1,511	1,532	
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	-	

### Brazil

#### Tie Field

On July 1, 2017, Maha completed the corporate acquisition of Gran Tierra Energy Inc.’s Brazilian operations (“Tie Field Acquisition”). Following this transaction, Maha owns and operates, through a wholly-owned subsidiary, the 100% working interests in six onshore concession agreements located in the Reconcavo Basin of Brazil. One of the concessions includes the oil producing Tie Field consisting of two (2) dually completed wells (GTE-3 and GTE-4) and one water injection well (ALV-2). The 38° API oil production is from two, separate, sandstone units called the Agua Grande and Sergi formations.

<sup>3</sup> As per the current quarter reported net production volumes. 1BBL = 6000SCF of gas. Approximately 90% of Maha’s oil equivalent production is crude oil.

Plans are far advanced to increase production from the Tie field. To that end, the Company is working on a three-pronged approach to rapidly monetize production from the Tie field. First, well productivity will be increased through artificial lift and the drilling of additional production wells along with water flooding; second, the production facilities will be upgraded to double the current handling capacity at the Tie gathering station; and third, off-take agreements are being implemented to allow for the additional oil and associated gas to be sold on the local market. The Tie field does not have ready access to oil or gas pipeline outlets, hence the oil and parts of the associated gas are trucked from the field.

As previously announced, the newly completed GTE-3 well was on a series of production tests that, as a result of production facility constraints, curtailed GTE-4 production. Since the end of September, both wells have been producing together. The current combined deliverability of the GTE-3 and GTE-4 wells is in excess of 2,500 BOPD but due to safe storage limitations and load out facility constraints, the production is temporarily curtailed to approximately 2,100 BOPD.

As part of the 2018 Capital Plan, the storage capacity at the Tie Field is being increased from 2,500 bbl to 6,500 bbl. This ongoing work is estimated to be completed by the year end and will solve the safe storage curtailment. The previously announced Attic Well will now commence drilling in early January, 2019.

Average production from the Tie Field during the third quarter of 2018 was 1,443 BOPD and 542 MSCFPD of gas.

### **Tartaruga Field**

In January 2017, Maha completed the purchase of an operated legal and beneficial 75% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin onshore Brazil. The Tartaruga oil field is located in the northern half of the 13,201 acre (53.4 km<sup>2</sup>) Tartaruga Block and produces 41° API oil from two deviated wells drilled into the early Cretaceous Penedo Formation.

The Company commenced a significant work program which includes the re-entry and recompletion of the 7TTG producing well along with the re-entry and horizontal drilling of the 107D well. As stated in prior reports, the multiple stacked Penedo sandstone are likely to respond well to horizontal drilling and hydraulic stimulation. To that end, work planned for Tartaruga includes both hydraulic stimulation of the existing 7TTG well and the horizontal side-tracking of the 107D well. In both cases, the very productive Penedo 1 sandstone layer is targeted. In the 7TTG well the Penedo 1 sandstone has never been produced. In the 107D well, a horizontal well is being drilled from the existing well location by re-entering the existing wellbore. The work planned for both producing wells are expected to significantly increase productivity of the Tartaruga Field. Associated gas is used as fuel gas for the production plant and any excess gas is flared. Plans are underway to implement a gas electrification project whereby associated gas is turned into electricity and sold to the local market.

Longer than expected rig mobilization times to site and rig power plant issues have had a knock-on effect delaying the resumption of production from the Tartaruga field. This work is now scheduled to be completed by the end of the fourth quarter of 2018 or early 2019. As both wells on the Tartaruga field are located on a production pad with only 7 meter distance between wellheads, both wells are required to be shut in during all well operations on Tartaruga.

Average net production from the Tartaruga Field during the third quarter of 2018 was down to 6 BOPD, as a result of the above.

### **107D Sidetrack**

Drilling rig mobilization was completed during July and drilling operations began during the third quarter following the aforementioned delays. Following an accidental parting of the drill-string the company was focused on

recovering the remaining parts of the parted drill-string before resuming drilling operations. This was accomplished during the third week of November followed by resumption of drilling activities shortly thereafter.

#### 7TTG Workover

The workover to recomplete the 7TTG well with larger tubing and a dedicated jet pump has been delayed due to stuck tubing. Work commenced in May to recover 1.5 inch coiled tubing and 3.5 inch production tubing in the well. After several attempts to free the downhole packer, the 1.5" tubing had to be chemically cut just above the packer. Subsequent attempts to pull the 3.5" tubing out of the well was unsuccessful due to suspected sand intrusion. The rig was demobilized and the workover postponed until after the 107D well has been sidetracked as a greater pulling capacity rig is required to free the pipe. This larger rig will move across and complete the 7TTG workover upon completion of the 107D well.

#### **USA**

The Company owns and operates a 99% working interest in the LAK Ranch oil field, located on the eastern edge of the multi-billion barrel Powder River Basin in Wyoming, USA.

The crude oil density produced from the LAK area is 19° API. Since the purchase of this field in 2013, the Company has been evaluating different oil recovery mechanisms and is currently working towards a staged full field development using a hot water injection scheme. Multiple attempts have been made on the field since its discovery in the 1960's, including cyclic steam, steam assisted gravity drainage and solvent injection. Maha has determined through drilling results, core analysis, and computer aided modelling, core tests and field pilot tests that a simple water flood using hot water produces the best economic results. Hence, as at 30 September 2018, the LAK Ranch asset is still considered to be in the pre-production stage and is currently undergoing delineation and pre-development work. As such royalties and operating costs, net of revenues, since the commencement of operations have been capitalized as part of exploration and evaluation costs.

During the third quarter of 2018, the Company generated revenue from LAK Ranch of TUSD 136, on average sales volume of 27 bopd, compared with TUSD 118 of revenue during the third quarter of 2017 from on average sales volume of 30 bopd.

#### Phase 3 of Development Plan

The Capstar #302 Drilling Rig was mobilized on 20 September 2018 to the LAK Ranch oil field. The first of 8 wells was spudded on 21 September 2018. The 8 well drilling program is now complete with all 8 wells having been drilled and completed. The Drilling Rig was demobilized on 3 November 2018 and the program was completed 2 weeks ahead of schedule and within budget. Operations are now focused on hooking these new wells up to the facilities and commencing production and injection operations.

#### **Production**

	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Nine Months 2018</b>	<b>Nine Months 2017</b>	<b>Full Year 2017</b>
Delivered Oil (Barrels) <sup>4</sup>	<b>135,714</b>	142,975	<b>398,301</b>	176,860	310,479
Delivered Gas (MSCF)	<b>49,853</b>	64,774	<b>206,072</b>	64,774	144,602
Delivered Oil & Gas (BOE) <sup>5</sup>	<b>144,023</b>	153,770	<b>432,647</b>	187,656	334,579
Daily Volume (BOEPD)	<b>1,565</b>	1,671	<b>1,585</b>	687	917

<sup>4</sup> Includes LAK Ranch Oil delivered during the period

<sup>5</sup> BOE is Barrels of Oil Equivalent and takes into account gas delivered and sold. 1 bbl = 6,000 SCF of gas

Production volumes shown are net working interest volumes but before royalties. Approximately 90 - 95% of Maha's oil equivalent production is crude oil.

Average daily production volumes decreased during the third quarter 2018 as compared to the third quarter 2017 due to as described production shut in at the Tartaruga field for most of the third quarter.

## Revenue

<i>(TUSD, unless otherwise noted)</i>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Nine Months 2018</b>	<b>Nine Months 2017</b>	<b>Full Year 2017</b>
Oil and Gas revenue	<b>9,049</b>	6,173	<b>25,537</b>	7,665	14,604
Sales volume (BOE)	<b>141,946</b>	150,986	<b>429,484</b>	179,328	325,320
Oil realized price (USD/bbl)	<b>67.68</b>	43.38	<b>64.35</b>	44.94	47.94
Gas realized price (USD/MSCF)	<b>0.87</b>	1.42	<b>1.00</b>	1.42	1.22
Equivalent oil realized price (USD/Boe)	<b>63.75</b>	40.89	<b>59.46</b>	42.75	44.89
Reference oil price – Brent (USD/bbl)	<b>75.07</b>	52.17	<b>71.53</b>	52.55	54.74

Total revenue was TUSD 9,049 for the third quarter of 2018 and 47 % higher as compared to TUSD 6,173 for the third quarter 2017. The significant revenue increase was mainly due to higher realized prices partially offset by lower production volumes due to the Tartaruga field shut-in as a result of ongoing drilling operations during the third quarter of 2018.

LAK Ranch production volumes are excluded from sold volumes as it is still in pre-production stage and represented 2,442 barrels for the third quarter of 2018 (2,784 barrels for the third quarter of 2017).

Current crude oil realized prices are based on Brent price less local market discounts as follows:

### Tie Field crude oil

Crude oil from the Tie Field is sold to Petrobras and a nearby refinery. For crude oil sold to the refinery, the current discount is USD 8/bbl. Effective April 1 2018, crude oil sold from the Tie Field to Petrobras is at a discount to Brent oil price of USD 5.42/bbl plus an additional 2.6% discount on the net price (previously USD 8.48/bbl).

### Tartaruga Field crude oil

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

## Royalties

<i>(TUSD, unless otherwise noted)</i>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Nine Months 2018</b>	<b>Nine Months 2017</b>	<b>Full Year 2017</b>
Royalties	<b>1,052</b>	832	<b>3,181</b>	1,239	2,217
Per unit (USD/BOE)	<b>7.41</b>	5.51	<b>7.41</b>	6.91	6.81
Royalties as a % of revenue	<b>11.6%</b>	13.5%	<b>12.5%</b>	16.2%	15.2%

Total royalty expense was TUSD 1,052 (11.6%) for the third quarter 2018 as compared to TUSD 832 (13.5%) for the same period in 2017. Royalty expense as a percentage for the third quarter 2018 is lower than the comparative period as higher royalty-rated Tartaruga production was shut in during the quarter. Royalty expense for the third quarter 2018 on a per BOE basis is higher than the comparative period due to the lower sales volumes resulting from production shut-in at the Tartaruga field. The third quarter of 2017 reflects royalties for both Tie and Tartaruga fields.

## Production Expense

<i>(TUSD, unless otherwise noted)</i>	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017	Full Year 2017
Production costs	1,261	1,229	4,236	2,011	3,069
Transportation costs	183	251	639	316	623
Total Production expense	1,444	1,480	4,875	2,327	3,692
Per unit (USD/BOE)	10.17	9.80	11.35	12.98	11.35

Production expenses for the third quarter 2018 were in line with the comparable period but higher on a per BOE basis as a result of costs being absorbed over lower sales volumes. Production expenses for the nine months period were higher as the Tie Field Acquisition occurred at the start of Q3 of 2017 but lower on a per BOE basis from higher sales volumes for the nine months ended 30 September 2018. Excluding transportation, the majority of production costs are fixed indicating that production costs on a per BOE bases should lower as production increases.

## Netback

<i>(TUSD, unless otherwise noted)</i>	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017	Full Year 2017
Operating Netback	6,553	3,861	17,481	4,099	8,695
Netback (USD/BOE)	46.17	25.58	40.70	22.86	26.73

Operating netback is calculated as revenue less royalties and production expenses. For the three and nine months ended 30 September 2018 operating netbacks on a per BOE basis were higher against the comparable periods by 80% and 78%, respectively, mainly as a result of increased realized oil prices.

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

## General and Administration expenses ("G&A")

<i>(TUSD, unless otherwise noted)</i>	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017	Full Year 2017
G&A	1,108	1,589	3,323	3,817	5,257
G&A (USD/BOE)	7.80	10.52	7.74	21.28	16.16

Lower G&A expenses of TUSD 1,108 for the third quarter 2018 versus the comparable period reflects results from measures implemented towards increasing synergies and efficiencies following the Brazil acquisitions during 2017. As a result of higher capital activity in 2018 there has also been higher G&A amounts capitalized as part of PPE versus the comparable period.

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

<i>(TUSD, unless otherwise noted)</i>	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017	Full Year 2017
DD&A	743	1,411	2,331	2,139	2,091
DD&A (USD/boe)	5.23	9.35	5.43	11.93	6.43

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

Depletion for the third quarter 2018 amounted to TUSD 743 (Q3 2017: TUSD 1,411) at an average rate of USD 5.23 per BOE (Q3 2017: USD 9.35 per BOE). Depletion expense for the third quarter 2018 is lower against the comparable period due to the lower production for the quarter and as a result of the Company's depletion rate on a USD/BOE basis being significantly reduced in the fourth quarter of 2017 as a result of the increase to its oil and gas reserves.

### Net financial items

Net finance expense amounted to USD 1.1 million (Q3 2017: 1.5 million) for the third quarter of 2018. Included in the net finance expense is interest expense of USD 1.0 million (Q3 2017: 1.2 million) on the Senior Secured Bond issued on May 29, 2017 and accretion of the bond payable discount of TUSD 256 (Q3 2017: TUSD 279) for the third quarter of 2018. Accretion of the discount rate on the decommissioning liabilities provision amounted to TUSD 26 (Q3 2017: TUSD 75). Included in Finance costs are foreign currency exchange related to financing costs and foreign currency risk management contracts.

### Share data

As at 30 September 2018 the Company had 98,670,574 shares outstanding of which 89,960,692 were class A shares and 8,109,882 were class B shares. In addition, there were 600,000 convertible class C2 shares, after giving effect to the forfeiture of 300,000 options and cancellation of 257,789 options for which the corresponding C2 shares are in the process of being formally cancelled. In the event that the existing Maha (Canada) stock options and warrants are exercised these convertible class C2 shares will be redeemed and exchanged for class A shares.

- During the first quarter of 2018 a total of 2,074,717 of Maha-A TO warrants were exercised prior to their expiration on January 15, 2017 at the pre-determined strike price of SEK 6.40 per share representing approximately one third of all of the A warrants outstanding. Accordingly, 2,074,717 A Warrants were cancelled and the same number of new shares of class A issued. The remainder of the Maha-A TO warrants are now expired. The total proceeds from this transaction was SEK 13.3 million before issuance costs.
- During the second quarter of 2018 a total of 640,211 shares were issued upon conversion of C2 shares. A total of 898,000 options expired at the end of March 2018, of which 640,211 were converted and remainder are in the process of being cancelled.
- During the third quarter of 2018 a total of 200,000 shares were issued upon conversion of same number of C2 shares.

### Liquidity and capital resources

As at 30 September 2018, the Company had current assets of \$28.5 million comprised primarily of cash and cash equivalents, accounts receivable and prepaid expenses and deposits. The Company had current liabilities of \$10.4 million resulting in net working capital of \$18.1 million (December 31, 2017: \$17.5 million).

### Financial Risks

The Company is in the oil exploration and development business and is exposed to a number of risks and uncertainties inherent to the oil industry. This activity is capital intensive at all stages and subject to fluctuations in oil prices, market sentiment, currencies, inflation and other risks. The Company has cash in hand and expects to generate cash flow from operations to fund its development and operating activities. Material increases or

decreases in the Company's liquidity may be substantially determined by the success or failure of its development activities, as well as its continued ability to raise capital or debt. Additional information on financial risks identified by the Company are presented in note 12 to the Financial Statements.

### **Legal matters**

Following the Tie Field Acquisition effective July 1, 2017, the Company inherited, through the acquisition of Gran Tierra Energy Brazil Ltda., a number of disclosed pre-existing legal matters concerning labor, regulatory and operations, each of which are considered routine, non-material and consistent with doing business in Brazil. Provisions for lawsuits have, in consultation with the Company's local legal counsel, been recorded under accrued liabilities and provisions.

### **Health, Safety and the Environmental**

At Maha, Health, Safety and the Environment is a key component of its management systems. Maha Energy strives to provide a safe and healthy work environment for all employees, contractors and suppliers. This means the safety of life, limb, environment and property always comes first. The Company actively monitors all operational sites and proactively encourages everyone to be mindful of all the Company's HSE Values. This is achieved through education, enforcement and reporting.

Everyone working or visiting our sites have the right to stop work at any time to prevent potential HSE incidents occurring. Maha's HSE Values set the tone for how we approach each other and the environment.

Additional information on environmental, decommissioning and abandonment obligations in relation to oil and gas leases is presented in note 9 to the Financial Statements.

### **Corporate Governance and Sustainability**

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. One of the ways we ensure sustainability is to maximize recovery from existing energy sources and in order to do so effectively it is important to minimize scope changes. If we can prevent costly and impactful changes in development plans, we contribute to sustainability. Another way to contribute to a sustainable planet, is to ensure all resources are used. We therefore recycle produced water at our LAK Ranch facility which not only reduces having to find water from another source, but also reduces waste water treatment requirements. In Brazil, we are reducing the release of natural gas by using the waste gas from oil production to generate electricity.

Maha does not tolerate any form of corrupt practices and have in place Corporate Governance Policies that clearly define how we must do business. The best way to prevent corruption is through transparency — transparency is one of our core values. The Company has established Codes of Business Conduct and Anti-Corruption policies in place for all its employees, contractors and workers.

More information on Corporate Governance can be found in Maha's Corporate Governance Report in the 2017 Annual Report.

### **Seasonal Effects**

Maha Energy has no significant seasonal variations.

### **Parent Company**

Business activities for Maha Energy AB focuses on: a) management and stewardship of all Group affiliates, subsidiaries and foreign operations; b) management of publicly listed Swedish entity; c) fundraising as required for acquisitions and Group business growth; and d) business development. The Parent Company has no employees. Last

year's activities focused on the corporate acquisitions by the Group of the Brazilian operations of Grand Tierra Energy Inc. in Bahia, Brazil and the Tartaruga Field in Sergipe, Brazil (the "Acquisitions") and the funding of the Acquisitions through a Directed Share Issue, a Rights Offering and a Bond financing.

The net result for the Parent Company for the third quarter 2018 amounted to TSEK -13,316 (Q3 2017: TSEK 3,313). The result includes general and administrative expenses of TSEK 866 (Q3 2017: TSEK 1,269) and net finance costs of TSEK 11,313 (Q3 2017: 2,405).

#### **Related Party Transactions**

The Company did not enter into any transaction with related parties during the third quarter of 2018.

#### **Subsequent Events**

There are no subsequent events to report.

Approved by the Board

``Jonas Lindvall``  
Jonas Lindvall, Director

``Wayne Thomson``  
Wayne Thomson, Director

**Maha Energy AB**  
**Consolidated Statement of Operations**

<i>(TUSD)</i>	Note	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017
<b>Revenue</b>					
Oil sales	5	9,049	6,173	25,537	7,665
Royalties		(1,052)	(832)	(3,181)	(1,239)
		<b>7,997</b>	5,341	<b>22,356</b>	6,426
<b>Expenses</b>					
Production and operating		(1,444)	(1,480)	(4,875)	(2,327)
General and administration		(1,108)	(1,589)	(3,323)	(3,817)
Stock-based compensation		(53)	(13)	(166)	1
Depletion, depreciation and amortization	8	(743)	(1,411)	(2,331)	(2,139)
Financial Instruments	12	-	-	(74)	-
Foreign currency exchange gain (loss)		(79)	417	18	(885)
		<b>(3,427)</b>	(4,076)	<b>(10,751)</b>	(9,167)
<b>Operating result</b>		<b>4,570</b>	1,265	<b>11,605</b>	(2,741)
Net finance costs	6	(1,079)	(1,459)	(3,536)	(2,009)
Transaction costs		-	(12)	-	(331)
<b>Result before tax</b>		<b>3,491</b>	(206)	<b>8,069</b>	(5,081)
Income tax		(278)	(196)	(691)	(196)
<b>Net result from continuing operations</b>		<b>3,213</b>	(402)	<b>7,378</b>	(5,277)
<b>Discontinued operations</b>					
Loss on disposition – Canadian assets		-	-	-	(54)
<b>Net result for the period</b>		<b>3,213</b>	(402)	<b>7,378</b>	(5,331)
<b>Earnings per share basic</b>					
From continuing and discontinued operations		<b>0.03</b>	(0.00)	<b>0.08</b>	(0.06)
<b>Earnings per share fully diluted</b>					
From continuing and discontinued operations		<b>0.03</b>	(0.00)	<b>0.07</b>	(0.06)
<b>Weighted average number of shares:</b>					
Before dilution		<b>97,998,835</b>	95,155,646	<b>97,452,903</b>	83,781,330
After dilution		<b>105,012,944</b>	95,155,646	<b>100,912,059</b>	83,781,330

**Maha Energy AB**  
**Consolidated Statement of Comprehensive Result**

<i>(TUSD)</i>	Note	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017
<b>Net Result for the period</b>		<b>3,213</b>	(402)	<b>7,378</b>	(5,331)
Exchange differences on translation of foreign operations	2	<b>(3,117)</b>	(1,305)	<b>(9,011)</b>	57
<b>Comprehensive result for the period</b>		<b>96</b>	(1,707)	<b>(1,633)</b>	(5,274)

**Maha Energy AB**  
**Consolidated Balance Sheet**

<i>(Thousands of US dollars)</i>	Note	September 30, 2018	December 31, 2017
<b>Assets</b>			
<b>Non-Current assets</b>			
Exploration and evaluation assets	7	18,538	17,789
Property, plant and equipment	8	51,408	47,278
Performance bonds and others		177	176
		<b>70,123</b>	<b>65,243</b>
<b>Current assets</b>			
Financial Instruments	12	-	141
Crude Oil Inventory		160	314
Prepaid expenses and deposits		977	753
Accounts receivable	12	2,434	2,229
Restricted cash	16	2,668	3,037
Cash and cash equivalents		22,292	18,729
		<b>28,531</b>	<b>25,203</b>
<b>Total Assets</b>		<b>98,654</b>	<b>90,446</b>
<b>Shareholders' Equity and Liabilities</b>			
Shareholders' Equity	10	48,483	48,201
<b>Non-Current liabilities</b>			
Bond payable	11	30,801	32,678
Decommissioning provision	9	1,587	1,849
Other long term liabilities and provisions	3,16	7,359	-
		<b>39,747</b>	<b>34,527</b>
<b>Current liabilities</b>			
Accounts payable		7,151	3,502
Accrued liabilities and other		3,273	4,216
		<b>10,424</b>	<b>7,718</b>
<b>Total liabilities</b>		<b>50,171</b>	<b>42,245</b>
<b>Total liabilities and shareholders' equity</b>		<b>98,654</b>	<b>90,446</b>

**Maha Energy AB**  
**Consolidated Statement of Cash Flows**

<i>(TUSD)</i>	Note	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017
<b>Cash flow from operations</b>					
Net result from continuing operations		3,213	(402)	7,378	(5,277)
Add back:					
Stock based compensation		53	13	166	(1)
Depletion, depreciation and amortization	8	743	1,411	2,331	2,139
Accretion of decommissioning provision	9	26	75	77	94
Accretion of bond payable	11	255	279	796	344
Interest expense	6	1,001	-	3,146	-
Financial instruments	12	2	-	139	-
Unrealized foreign exchange amounts		(1,118)	(1,037)	474	531
Interest paid		-	-	(2,057)	-
Interest received		237	-	567	-
Cash tax paid		(278)	-	(691)	-
Changes in non-cash working capital	14	2,538	(1,671)	869	2,412
<b>Cash flow from operations</b>		<b>6,672</b>	<b>(1,332)</b>	<b>13,195</b>	<b>242</b>
<b>Investing activities</b>					
Corporate acquisition – Tartaruga	3	-	60	-	(290)
Corporate acquisition – Tie Field	3	-	(34,459)	-	(34,459)
Acquisition deposits		-	38,969	-	(4,700)
Proceeds on sale of Canadian assets		-	40	-	151
Additions to property, plant and equipment	8	(4,359)	(305)	(7,393)	(920)
Additions of exploration and evaluation assets	7	(740)	(45)	(748)	(450)
Purchase of performance bonds		-	-	-	(25)
<b>Cash flow from investment activities</b>		<b>(5,099)</b>	<b>4,260</b>	<b>(8,141)</b>	<b>(40,693)</b>
<b>Financing activity activities</b>					
Issue of shares, net of share issue costs	10	(29)	1,767	1,496	18,254
Issue of bonds, net of financing costs	11	-	(109)	-	32,625
Exercise of stock options	10	150	-	252	-
<b>Cash flow from financing activities</b>		<b>121</b>	<b>1,658</b>	<b>1,748</b>	<b>50,879</b>
Foreign exchange on cash and cash equivalent		(316)	462	(3,239)	1,186
Change in cash and cash equivalents		1,378	5,048	3,563	11,614
Cash and cash equivalents, beginning of period		20,914	13,324	18,729	6,758
<b>Cash and cash equivalents, end of period</b>		<b>22,292</b>	<b>18,372</b>	<b>22,292</b>	<b>18,372</b>

**Maha Energy AB**  
**Consolidated Statement of Changes in Equity**

<i>(TUSD)</i>	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings	Total Shareholders' Equity
<b>Balance at 1 January 2017</b>	<b>87</b>	<b>40,567</b>	<b>(738)</b>	<b>(8,780)</b>	<b>31,136</b>
<b>Comprehensive result</b>					
Result for the period	-	-	-	(2,850)	(2,850)
Currency translation difference	-	-	(621)	-	(621)
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>(621)</b>	<b>(2,850)</b>	<b>(3,471)</b>
<b>Transactions with owners</b>					
Share issuance	32	20,644	-	-	20,676
Share issue cost	-	(2,680)	-	-	(2,680)
Fair market value of warrants issued	-	2,211	-	-	2,211
Reduction of capital	(2)	2	-	-	-
Stock based compensation	-	37	-	-	37
Exercise of warrants	-	3	-	-	3
Exercise of stock options	-	289	-	-	289
<b>Total transactions with owners</b>	<b>30</b>	<b>20,506</b>	<b>-</b>	<b>-</b>	<b>20,536</b>
<b>Balance at 31 December 2017</b>	<b>117</b>	<b>61,073</b>	<b>(1,359)</b>	<b>(11,630)</b>	<b>48,201</b>
<b>Comprehensive result</b>					
Result for the period	-	-	-	7,378	7,378
Currency translation difference	-	-	(9,011)	-	(9,011)
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>(9,011)</b>	<b>7,378</b>	<b>(1,633)</b>
<b>Transactions with owners</b>					
Share issue cost	-	(61)	-	-	(61)
Stock based compensation	-	166	-	-	166
Exercise of warrants and options	3	1,807	-	-	1,810
<b>Total transactions with owners</b>	<b>3</b>	<b>1,912</b>	<b>-</b>	<b>-</b>	<b>1,915</b>
<b>Balance at 30 September 2018</b>	<b>120</b>	<b>62,985</b>	<b>(10,370)</b>	<b>(4,252)</b>	<b>48,483</b>

## Parent Company Statement of Operations

<i>(Expressed in thousands of Swedish Krona)</i>	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017
<b>Revenue</b>	-	-	-	-
<b>Expenses</b>				
General and administrative	(866)	(1,269)	(2,653)	(7,854)
Stock-based compensation	10 (477)	-	(1,421)	(110)
Financial instruments	12 -	-	(618)	-
Foreign currency exchange gain(loss)	600	6,987	4,785	(3,475)
<b>Operating result</b>	<b>2,003</b>	<b>5,718</b>	<b>(93)</b>	<b>(11,439)</b>
Net finance costs	(11,313)	(2,405)	(33,940)	(15,394)
<b>Result before tax</b>	<b>(13,316)</b>	<b>3,313</b>	<b>(33,847)</b>	<b>(26,833)</b>
Income tax	-	-	-	-
<b>Net Result for the period</b>	<b>(13,316)</b>	<b>3,313</b>	<b>(33,847)</b>	<b>(26,833)</b>

## Parent Company Balance Sheet

<i>(Thousands of Swedish Krona)</i>	30 September 2018	31 December 2017
<b>Assets</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	183,640	183,640
Loans to subsidiaries	410,307	408,226
	<b>593,947</b>	<b>591,866</b>
<b>Current assets</b>		
Loans to subsidiaries	-	22,407
Financial Instruments	-	620
Accounts receivable and other	320	230
Cash and cash equivalents	121,870	103,294
	<b>122,190</b>	<b>126,551</b>
<b>Total Assets</b>	<b>716,137</b>	<b>718,417</b>
<b>Shareholders' Equity and Liabilities</b>		
Shareholders' Equity	429,129	446,562
<b>Non-current liabilities</b>		
Bond Payable	274,257	267,423
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	12,751	4,432
<b>Total liabilities</b>	<b>287,008</b>	<b>271,855</b>
<b>Total Equity and Liabilities</b>	<b>716,137</b>	<b>718,417</b>

## Parent Company Statement of Changes in Equity

<i>(Thousands of Swedish Krona)</i>	Restricted equity	Unrestricted equity		Total Equity
	Share capital	Contributed surplus	Retained Earnings	
<b>Balance at 1 January 2017</b>	<b>804</b>	<b>288,227</b>	<b>(1,634)</b>	<b>287,397</b>
Share issuance	284	183,111	-	183,395
Share issue costs	-	(23,708)	-	(23,708)
FMV of warrants issued	-	19,610	-	19,610
Reduction in capital	(20)	20	-	-
Stock based compensation	-	416	-	416
Exercise of warrants and stock options	-	2,869	-	2,869
Result for the period	-	-	(23,417)	(23,417)
<b>Balance at 31 December 2017</b>	<b>1,068</b>	<b>470,545</b>	<b>(25,051)</b>	<b>446,562</b>
Share issue costs	-	(541)	-	(541)
Stock based compensation	-	1,421	-	1,421
Exercise of warrants and stock options	23	15,511	-	15,534
Result for the period	-	-	(33,847)	(33,847)
<b>Balance at 30 September 2018</b>	<b>1,091</b>	<b>486,937</b>	<b>(58,898)</b>	<b>429,129</b>

## Notes to the Consolidated Financial Statements

### 1. Corporate information

Maha Energy AB (“Maha (Sweden)” or “the Company”) Organization Number 559018-9543 and its subsidiaries (together “Maha” or “the Group”) are engaged in the acquisition, exploration and development of oil and gas properties.

The Company has operations in Brazil and the United States. The Company sold its Canadian producing assets effective January 1, 2017. The results from the Canadian Assets sale are reported as discontinued operations. The head office 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 T2W 4X9. The Company has an office in Rio de Janeiro, Brazil and operations offices in Newcastle, Wyoming, USA and Salvador, Brazil.

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

### 2. Basis of presentation

The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, the IFRS adopted by the EU and the Swedish Annual Accounts Act. The financial reporting of the Parent Company (Maha Energy AB) has been prepared in accordance with accounting principles generally accepted in Sweden, with the Swedish Financial Reporting Board recommendation, RFR2, reporting for legal entities and the Swedish Annual Accounts Act.

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

The accounting principles as described in the Annual Report 2017 have been used in the preparation of this report.

#### **New and Revised Accounting Standards**

IFRS 9; “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes six primary measurement categories for financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has elected not to adopt the standard early. The Company has assessed the impact of this standard and has concluded that the standard will not have significant impact on the financial statements.

IFRS 15; “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The standard replaces IAS 11 and IAS 18 and is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The application of IFRS 15 did not have an impact on the Company’s consolidated financial position, results of operations or cash flows but does require enhanced disclosures about the Company’s revenue transactions. Oil sales revenue, derived from crude oil production in Brazil, is recognized when the performance obligations are satisfied and revenue can be reliably measured.

IFRS 16; “Leases” was issued in January 2016 and replaces IAS 17. 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

year beginning on or after January 1, 2019 with early adoption permitted if the Company is also applying IFRS 15. Interpretation of this standard is currently in progress.

### Going Concern

The Company prepared these 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.

### Presentation and Functional Currency

The consolidated financial statements are presented in USD which is the currency the Company has elected to use as the presentation currency.

The Company's functional currencies are as follows:

Subsidiary	Functional Currency
Maha Energy Inc.	USD
Maha Energy (USA) Inc.	USD
Maha Energy 1 (Brazil) AB	SEK
Maha Energy 2 (Brazil) AB	SEK
UP Petroleo Brasil Ltda	BRL
Petro Vista Energy Petroleo do Brasil Ltda	BRL
Maha Energy Brasil Ltda	BRL
Maha Energy Finance (Luxembourg) S.A.R.L	BRL
Maha Energy Brazco (Luxembourg) S.A.R.L	BRL

In presenting operating results, transactions in currencies other than the entity's functional currencies are recorded at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting period date. Non-monetary assets, liabilities, revenues and expenses are translated at transaction date exchange rates. Any exchange gains or losses from the above are included in the determination of net result as foreign exchange gains or losses. These are included in Net Result as part of the Company's Consolidated Statement of Operations.

Since the Company's presentation currency is USD, the assets and liabilities of all foreign operations with non-USD functional currencies are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at the average exchange rate for the period. Resultant foreign currency exchange differences from the effect of the above are included separately in the Company's Consolidated Statement of Comprehensive Result and the cumulative result of the exchange differences is reflected in Shareholders' Equity.

### 3. Corporate Acquisition

#### Gran Tierra Acquisition – Brazil Operations

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

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

Final estimates of fair value assigned to the assets acquired and liabilities assumed at the date of acquisition are set forth below.

*(TUSD)*

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

### 4. Segment Information

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

<i>(TUSD)</i>	Canada	US	Brazil	Sweden	Total
<b>30 September 2018</b>					
Revenue	-	-	25,537	-	<b>25,537</b>
Royalties	-	-	3,181	-	<b>3,181</b>
Production and operating	-	-	4,875	-	<b>4,875</b>
General and administration	1,789	142	1,082	310	<b>3,323</b>
Stock-based compensation	-	-	-	166	<b>166</b>
Depletion, depreciation and amortization	8	34	2,289	-	<b>2,331</b>
Financial Instruments	-	-	-	74	<b>74</b>
Foreign currency exchange loss (gain)	35	-	(39)	(14)	<b>(18)</b>
<b>Operating results</b>	<b>(1,945)</b>	<b>(150)</b>	<b>14,236</b>	<b>(536)</b>	<b>11,605</b>
<b>Non-current assets</b>	<b>27</b>	<b>20,929</b>	<b>49,167</b>	<b>-</b>	<b>70,123</b>
<b>Total assets</b>	<b>498</b>	<b>21,291</b>	<b>63,132</b>	<b>13,733</b>	<b>98,654</b>

<i>(TUSD)</i>	Canada	US	Brazil	Sweden	Total
<b>30 September 2017</b>					
Revenue	-	-	7,665	-	<b>7,665</b>
Royalties	-	-	1,239	-	<b>1,239</b>
Production and operating	-	-	2,327	-	<b>2,327</b>
General and administration	1,763	360	956	738	<b>3,817</b>
Stock-based compensation	(14)	-	-	13	<b>(1)</b>
Depletion, depreciation and amortization	3	42	2,094	-	<b>2,139</b>
Financial Instruments	-	-	-	-	<b>-</b>
Foreign currency exchange loss (gain)	109	-	279	497	<b>885</b>
<b>Operating results</b>	<b>(1,861)</b>	<b>(402)</b>	<b>770</b>	<b>(1,248)</b>	<b>(2,741)</b>
<b>Non-current assets</b>	<b>8</b>	<b>19,178</b>	<b>53,435</b>	<b>-</b>	<b>72,621</b>
<b>Total assets</b>	<b>(111)</b>	<b>19,432</b>	<b>60,760</b>	<b>17,362</b>	<b>97,443</b>

All oil and gas revenue is derived entirely from Brazilian operations. Revenue, operating expenses and depletion therefore only relate to Brazil. Revenues from transactions with the Company's largest customer exceed 10% of revenue.

## 5. Revenue

The Company's oil sales revenues are derived from two major customers, under contracts based on floating prices, the Brent oil benchmark adjusted for contracted discounts. The discount applied to the average Brent price is a fixed cost per barrel as per the contracts. As at 30 September 2018, accounts receivable included \$1.7 million of accrued sales revenue which related to the third quarter of 2018 production. Revenue is measured at the consideration specified in the contracts and represents amounts receivable net of discounts and sales taxes. Performance obligations associated with the sale of crude oil are satisfied when control of the product is transferred to the customer. This occurs when the oil is physically transferred to the delivery point agreed with the customer and the customer obtains legal title.

## 6. Finance Costs

(TUSD)	Q3 2018	Q3 2017	Nine Months 2018	Nine Months 2017
Interest on bond payable	1,001	1,163	3,146	1,631
Accretion of bond payable (note 11)	256	279	796	344
Accretion of decommissioning provision	26	75	77	94
Foreign currency exchange losses	-	-	-	-
Risk management contracts	2	-	66	-
Interest income and other	(206)	(58)	(549)	(60)
	<b>1,079</b>	<b>1,459</b>	<b>3,536</b>	<b>2,009</b>

## 7. Exploration and evaluation assets (E&E)

(TUSD)	
<b>Balance, 31 December 2016</b>	<b>17,174</b>
Expenditures in the period	954
Incidental result from sale of crude oil	(339)
<b>Balance, 31 December 2017</b>	<b>17,789</b>
Expenditures in the period	1,047
Change in asset retirement obligation	46
Incidental result from sale of crude oil	(344)
<b>Balance, 30 September 2018</b>	<b>18,538</b>

As at 30 September 2018, the LAK Ranch Project had not established both technical feasibility and commercial viability and therefore remains classified as an E&E asset. Expenditures, net of revenues, for the LAK Ranch Project have been capitalized as E&E.

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

(TUSD)	Oil and gas properties	Equipment and Other	Total
<b>Cost</b>			
<b>Balance at 31 December 2016</b>	<b>2,935</b>	<b>1,663</b>	<b>4,598</b>
Sale of Canadian assets	(2,976)	-	(2,976)
Tartaruga Acquisition	7,142	226	7,368
Tie Field Acquisition	38,194	271	38,465
Additions	2,077	64	2,141
Currency translation adjustment	(136)	(73)	(209)
<b>Balance at 31 December 2017</b>	<b>47,236</b>	<b>2,151</b>	<b>49,387</b>
Tie Field Acquisition	7,048	-	7,048
Additions	9,250	(127)	9,123
Currency translation adjustment	(10,255)	(79)	(10,334)
<b>Balance at 30 September 2018</b>	<b>53,279</b>	<b>1,945</b>	<b>55,224</b>
<b>Accumulated depletion and depreciation</b>			
<b>Balance at 31 December 2016</b>	<b>(2,111)</b>	<b>(174)</b>	<b>(2,285)</b>
Sale of Canadian assets	2,111	-	2,111
Depletion, depreciation and amortization	(1,867)	(136)	(2,003)
Currency translation adjustment	60	8	68
<b>Balance at 31 December 2017</b>	<b>(1,807)</b>	<b>(302)</b>	<b>(2,109)</b>



During the first quarter of 2018, a total of 898,000 C2 options were exercised prior to the expiration, of which 640,211 Class A shares were registered and issued during the second quarter and remainder of the 257,789 options were cancelled. During the third quarter, 299,563 Class A shares were issued due to 200,000 options were exercised and 99,563 Class B shares were converted. As at 30 September 2018, 257,789 options are in the process of being cancelled.

At 30 September 2018 proceeds of approximately TUSD 16 are outstanding and are included in accounts receivable. Subsequent to 30 September 2018, TUSD 7.6 of the outstanding amount was collected by the Company.

#### **Maha AB share purchase warrants outstanding**

As part of the IPO Financing, the Company issued common share purchase warrants, each convertible into one class A share of Maha Energy AB, upon payment of the exercise price. The warrants have an exercise price of SEK 6.40 (USD 0.78) and expire on January 15, 2018. During the first quarter of 2018, 2,074,717 of these warrants were exercised prior to the expiration date.

As part of the Bonds financing (note 11), the Company issued 13,350,000 common share purchase warrants, each convertible into one Class A share of Maha Energy AB, upon payment of the exercise price. The warrants have an exercise price of SEK 7.45 (USD 0.83) and expire on May 29, 2021.

The following warrants are outstanding at 30 September 2018:

	Number of Warrants	Exercise Price
	#	USD
<b>Balance, 31 December 2016</b>	<b>6,204,963</b>	<b>0.78</b>
Exercised	(4,000)	0.78
Issued	13,350,000	0.91
<b>Balance, 31 December 2017</b>	<b>19,550,963</b>	<b>0.87</b>
Exercised	2,074,717	0.72
Expired	(4,126,246)	0.72
<b>Balance, 30 September 2018</b>	<b>13,350,000</b>	<b>0.94</b>

#### **Maha Energy Inc. stock options**

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

Expiration date	Number of		Exercise Price	Remaining Life
	Options	Vested		
	#	#	\$	Years
December 31, 2018	200,000	200,000	0.75	0.25
December 31, 2018	350,000	350,000	1.25	0.25
December 31, 2020	50,000	33,333	1.25	2.25
<b>Total outstanding</b>	<b>600,000</b>	<b>583,333</b>	<b>1.09</b>	<b>0.42</b>

The following stock options are outstanding at 30 September 2018:

	Number of Options #	Exercise Price \$
<b>Balance, 31 December 2016</b>	<b>2,648,000</b>	<b>0.70</b>
Exercised	(650,000)	0.45
Forfeited	(300,000)	1.25
<b>Balance, 31 December 2017</b>	<b>1,698,000</b>	<b>0.71</b>
Exercised	(1,098,000)	0.50
<b>Balance, 30 September 2018</b>	<b>600,000</b>	<b>1.09</b>

During the year 1,098,000 of these options outstanding were exercised by the Company's management for which 840,211 Maha Class-A shares were issued and remainder of the options are in the process to be cancelled.

### Warrant Incentive Program

The Company has an incentive program as part of the remuneration package for management and employees. Warrants were issued in second quarter of 2017 and 2018 respectively, following a decision and approval at the respective Annual General Meeting. No warrants were vested, expired or exercised during the third quarter of 2018.

Warrants incentive programme	Exercise period	Subscription price, SEK	Number of warrants				30 September 2018
			1 Jan 2018	Issued 2018	Expired 2018	Exercised 2018	
2017							
incentive programme	1 June 2020 – 31 December 2020	7.00	750,000		-	-	<b>750,000</b>
2018							
incentive programme	1 May 2021 – 30 November 2021	9.20		750,000	-	-	<b>750,000</b>
<b>Total</b>			<b>750,000</b>	<b>750,000</b>	-	-	<b>1,500,000</b>

Each warrant shall entitle the warrant holder to subscribe for one new Share in the Company at the subscription price per share.

The fair value of the warrants granted under the warrant incentive program has been estimated on the grant date using the Black & Scholes model. Weighted average assumptions and resultant fair values are as follows:

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

Total share based compensation expense for the third quarter is TUSD 53 (Q3 2017: TUSD 13) and TUSD 166 for the nine months 2018 (30 September 2017: TUSD (1)) for the nine months ended 30 September 2018. As the subscription price of the 2017 and 2018 incentive program is below the average share price during the third quarter 2018 and nine months ended 30 September 2018, the dilution effects of the warrants have been included in the weighted average number of shares after dilution.

## 11. Bond payable

On May 29, 2017 the Company issued 3,000 senior secured bonds (the "Bonds"), with a par value of SEK 100,000 per bond and 13,350,000 warrants to acquire Class A shares of Maha (the "Warrants") were issued for gross proceeds of SEK 300,000 thousand (TUSD 34,505). The net proceeds from the bond issue were primarily used for the purpose of completing the acquisition of Gran Tierra Energy Inc.'s Brazilian business. The Bonds bear interest at a rate of 12% per annum calculated using a 360-day twelve months, 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 Bond (see note 10).

For the third quarter of 2018 Maha recognized TUSD 1,001 of interest and TUSD 256 of accretion related to the Bonds.

	TUSD	TSEK
Principal amount of Bonds	34,505	300,000
Value allocated to Warrants	(2,415)	(21,000)
Fair value of Bonds at date of issue	32,090	279,000
Issue costs	(1,881)	(16,613)
Net Bond at date of issue	30,209	262,387
Accretion of bond liability	607	5,036
Effect of currency translation	1,862	-
<b>Balance at 31 December 2017</b>	<b>32,678</b>	<b>267,423</b>
Accretion of bond liability	796	6,834
Effect of currency translation	(2,673)	-
<b>Balance at 30 September 2018</b>	<b>30,801</b>	<b>274,257</b>

The Bonds have the following maintenance covenants at each quarter end and on a rolling 12 months basis:

- i) Net Interest Bearing Debt to EBITDA is not greater than 3.00 (Leverage test);
- ii) Interest Coverage Ratio exceeds 2.25; and
- iii) Cash and cash equivalents exceeds USD \$5 million

The next reference test date for the maintenance covenants is as at September 30, 2018. As at the last reference date of June 30, 2018 the Company was compliant with all bond covenants.

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 or provide security over its assets and engage in mergers or demergers. Further information on Bonds terms and conditions is available on the Company's website.

## 12. Financial instruments and risk management

The fair values of cash and cash equivalents, restricted cash, accounts receivables and accounts payable and accrued liabilities and deposits on acquisitions approximate their carrying amount due to the short-term maturity of these financial instruments. 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.

As at 30 September 2018 the Company has foreign currency options outstanding with nil fair value. The Company entered into commodity and currency risk management contracts in the fourth quarter 2017.

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

(TUSD)	30 September 2018	31 December 2017
Brent crude oil sales price derivatives	-	76
Foreign currency option	-	65
	-	<b>141</b>

### Risks Associated with Financial Assets and Liabilities

The Company thoroughly examines the various risks to which it is exposed and assesses the impact and likelihood of those risks. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management.

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

#### a) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. All of the Company's oil sales are denominated in Brazilian Reals (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 bond liability are in Swedish Krona (SEK). To minimize foreign currency risk, the Company's cash balances are held primarily in SEK within Sweden 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.

On November 22, 2017, the Company purchased currency option contracts to hedge SEK denominated interest payments during 2018 on its Bonds as follows:

Expiry	Type	Strike Price	Amount (TSEK)	Premium (USD)
20 Nov 2018	Buy USDPUT:SEKCALL	SEK 7.8	18,000	43,500

For the third quarter of 2018, the Company recorded a loss of TUSD 2 on the foreign exchange contracts (Q3 2017 - nil).

#### 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 primarily held at large Canadian, Brazilian and Swedish financial institutions in non-interest-bearing accounts.

The Company's accounts receivable is composed of:

<i>TUSD</i>	30 September 2018	31 December 2017
Oil and gas sales (Brazil)	1,677	1,167
Sale of Canadian assets	296	425
Tax credits and other receivables	461	637
	<b>2,434</b>	<b>2,229</b>

The majority of the Company's oil and gas sales receivables are with the Brazilian national oil company and a small independent refinery called DAX oil. Under the credit agreement with Dax Oil oil sales are prepaid and are considered to be relatively low risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. By operating in several countries, the Company is exposed to currency fluctuations. Income is and will also most likely be denominated in foreign currencies, BRL in particular. Furthermore, the Company has since inception been equity and debt financed through share and bond 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 licenses. The main risk is that this need could occur during less favorable market conditions. The Company continuously ensures that sufficient cash balances are maintained in order to cover day to day operations. Management relies on cash forecasting to assess the Company's cash position based on expected future cash flows. Accounts payable relating to oil and gas interests, and current interest on the bonds are due within the current operating period. The Bonds have interest payable of SEK 18 million semi-annually on May 29 and November 29 until the maturity date of May 29, 2021. In addition, principal payment is also due on the maturity date of the Bonds. The Company may redeem all of the Bonds prior to maturity or repurchase any Bonds (see note 11).

The Company has current assets of \$28.5 million as at 30 September 2018 which is considered sufficient to settle the current liabilities of \$10.4 million as at 30 September 2018.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal. The Company has fixed interest on bond payable (note 11) therefore is not exposed to interest rate risk.

e) Price risk

Price of oil and gas are affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, economic conditions, political instability or conflicts or actions by major oil exporting countries. The Company is exposed to price risk with respect to commodity prices for which, if needed, the Company mitigates the risk by entering into the commodity contracts. As at 30 September 2018 the Company had no commodity contracts in place.

### 13. Management of Capital

The Company manages its capital to support the Company's strategic growth objectives and maintain financial capacity and flexibility for the purpose of funding the Company's exploration and development activities. The Company considers its capital structure to include working capital and shareholders' equity. At 30 September 2018, the Company's net working capital surplus was USD \$18.1 million (December 31, 2017: USD \$17.5), which includes USD \$22.3 million (December 31, 2017: USD \$18.7 million) of cash and USD \$2.7 million (December 31, 2017: \$3.0 million) of restricted cash. The current restricted cash relates to cash posted in Brazil to guarantee letters of credit for certain work commitments and support of abandonment guarantees. The Company does not have any other restricted cash balances as at 30 September 2018.

The Company may adjust its capital structure by issuing new equity or debt and adjusting its capital expenditure program, as allowed pursuant to contracted work commitments. The Company considers its capital structure at this time to include shareholders' equity of USD \$48.5 million (December 31, 2017: USD \$48.2 million). The Company does not have any externally imposed material capital requirements to which it is subject except for the bond covenants. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital

deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

#### 14. Changes in non-cash Working Capital

<i>(TUSD)</i>	<b>30 September 2018</b>	<b>30 September 2017</b>
Change in:		
Accounts receivable	(205)	619
Inventory	146	(6)
Prepaid expenses and deposits	(225)	3
Accounts payable and accrued liabilities	1,153	1,796
<b>Total</b>	<b>869</b>	<b>2,412</b>

#### 15. Pledged Assets

As at June 30, 2018, pledged assets are mainly a continuing security for the Senior Secured Bonds where Maha has entered into a pledge agreement. The pledge relates to the shares in its subsidiaries: Maha Energy 1 (Brazil) AB, Maha Energy 2 (Brazil) AB, Maha Energy Inc. and Maha Energy Finance (Luxembourg) S.A.R.L. The pledged assets for the parent company as at 30 September 2018 amounted to SEK 190.4 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 67.2 million.

The Company also has a charge over a bank account in Brazil to guarantee certain financial instruments in relation to its work commitments (note 16).

#### 16. Commitments and Contingencies

The Company currently has 7 concession agreements with the National Agency of Petroleum, Natural Gas and Biofuels in Brazil (ANP). While certain of these concession agreements have outstanding work commitments a number of these are either suspended pending environmental licensing or under force majeure. The Company currently has credit instruments in place of approximately \$7.9 million to guarantee the majority of these work commitments and approximately \$2.2 million to guarantee certain of the abandonment liabilities. A \$2.7 million term deposit guarantees certain of these financial instruments.

These commitments are in the normal course of the Company's exploration business and the Company's plans to fund these, if necessary, with existing cash balances, cash flow from operations and available financing sources.

**Relevant reconciliation of Alternative Performance Measures:**

**Operating Netback**

Operating netback is calculated on a per-boe basis and is defined as revenue (excluding processing income) less royalties, transportation costs and operating expenses, as shown below:

<i>(TUSD)</i>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Nine Months 2018</b>	<b>Nine Months 2017</b>
Revenue	9,049	6,173	25,537	7,665
Royalties	(1,052)	(832)	(3,181)	(1,239)
Operating Expenses	(1,261)	(1,229)	(4,236)	(2,011)
Transportation costs	(183)	(251)	(639)	(316)
<b>Operating netback</b>	<b>6,553</b>	<b>3,861</b>	<b>17,481</b>	<b>4,099</b>

**EBITDA**

Earnings before interest, taxes, depreciation and amortization (EBITDA) is used as a measure of the financial performance of the Company and is calculated as shown below:

<i>(TUSD)</i>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Nine Months 2018</b>	<b>Nine Months 2017</b>
Operating results	4,570	1,265	11,605	(2,741)
Depletion, depreciation and amortization	743	1,411	2,331	2,139
Foreign currency exchange loss / (gain)	79	(417)	(18)	885
<b>EBITDA in TUSD</b>	<b>5,392</b>	<b>2,259</b>	<b>13,918</b>	<b>283</b>

***The financial information relating to the third quarter and nine-month period ended 30 September 2018 has not been subject to review by the auditors of the Company.***

## Financial calendar

2018 Fourth Quarter and Year End Report: 28 February 2019

2018 Annual Report: 30 April, 2019

2019 First Quarter Report: 29 May 2019

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