



Second Quarter and Half Year Report 2017



Highlights

(all amounts are in USD unless otherwise noted)

For the second quarter ended June 30, 2017:

- The Company completed a Bond Financing for SEK 300,000,000 to finance the previously announced acquisition of the Brazilian business unit of Gran Tierra Energy Inc. ("Gran Tierra").
- The Company completed a Guaranteed Rights Offering for gross proceeds of SEK 91,727,215 to finance the Gran Tierra acquisition.
- The Company established July 1 as the date for closing of the acquisition of the Brazilian business unit of Gran Tierra and the Closing occurred.
- Company sold Production on the Tartaruga Field increased by 115% to an average of 213 BOPD during the quarter. The increase was primarily due to the successful workover of the 107D well which was completed during the first quarter.
- Following the Acquisition, Maha now owns and operates, through a wholly-owned subsidiary, the 100% working interests in the 38° API oil producing Tie Field and additional six concession agreements in Brazil, comprising 41,606 gross acres located in the Reconcavo Basin. Average Production in the Tie field for the second quarter, as reported by Gran Tierra in their Q2 2017 report, was 1,339 BOEPD.

Definitions

Abbreviations

| | |
|-------------|-----------------|
| CAD | Canadian dollar |
| SEK | Swedish krona |
| USD | US dollar |
| TSEK | Thousand SEK |
| TUSD | Thousand USD |
| MSEK | Million SEK |
| MUSD | Million USD |

Oil related terms and measurements

| | |
|---------------|---|
| Boe | Barrels of oil equivalents |
| Bbl | Barrel |
| boepd | Barrels of oil equivalent per day |
| bopd | Barrels of oil per day |
| Mbbl | Thousand barrels |
| Mboe | Thousand barrels of oil equivalents |
| Mboepd | Thousand barrels of oil equivalents per day |
| Mbopd | Thousand barrels of oil per day |
| Mcf | Thousand cubic feet |

These new blocks are in varying stages of evaluation and our work in fully understanding the subterranean details has just begun. Part of our current work is to independently verify the previously identified prospects mapped by GTE indicating approximately 48 million barrels of potentially recoverable oil. Fortunately, modern 3D seismic is available on all the blocks as an aid in this process.

Production continued to grow during the second Quarter with Tartaruga leading the way. Company production was up 85% compared to the first Quarter (Q2 Maha production was 22,000 bbls compared to 11,885 bbls in Q1 before all Royalties). No major shut downs occurred during the quarter, however, the 7TTG well at Tartaruga did start to show signs of reduced production due to a suspected leak in the downhole production tubing. Plans are underway to rectify this problem during the second half of the year. At LAK Ranch production remained steady at 2,606 bbls of oil sold this quarter. The effects of the hot water flood are stabilizing and we see a good response in the two main production wells. Our team at LAK expects further improvements into the next half of the year.

To conclude; the second quarter was a very busy quarter with focus on completing the complicated financing for the GTE transaction and the Acquisition. The Company is now in a good place financially, has a world class menu of assets and with laser sharp focus and execution is expecting to enjoy production increases during the second half of the year.

We thank you for your continued support.

Jonas Lindvall
Managing Director and CEO

Financial Report for the quarter and six months ended June 30, 2017

OPERATIONAL REVIEW

Overview

Maha is an independent, Swedish-based, international upstream oil and gas company whose business activities include the exploration for and 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 support 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 Salvador and Aracaju, Brazil and in Newcastle, Wyoming, USA.

The Company's main operations during the first half of 2017 were in the 75% operated interest in an onshore production block located in the Sergipe Alagoas Basin in Brazil (the "Tartaruga Block") acquired during Q1 2017 and the LAK Ranch oil field in Wyoming, USA.

During Q1 2017, the Company sold all of its interests in the Manitou and Marwayne properties (the "Canadian Assets").

Tartaruga (Brazil) –

| Maha's sales volumes (before all royalties) | 2017 – Q1 | 2017 – Q2 | 2017 – H1 |
|---|-----------|-----------|-----------|
| Tartaruga production (bbls) | 8,949 | 19,393 | 28,343 |
| Average daily production (bbl/d) | 99 | 213 | 157 |

The Tartaruga Block is located in the Sergipe Alagoas Basin, in eastern Brazil. Effective January 1, 2017, the Company is the legal and beneficial 75 percent working interest owner of the Tartaruga Block with the remaining 25 percent interest held by the state oil company Petróleo Brasileiro S.A ("Petrobras"). The Tartaruga oil field is located in the northern half of the 13,201 acre (53.4 km²) Tartaruga Block and produces 41° API oil from two deviated wells drilled into the early Cretaceous Penedo Formation.

During the first half of the year, the Company re-entered and recompleted one of the two producing wells on the property. The 107D well had a leak and some 2,600 m of parted electric wireline in the completion tubing which was addressed with a workover in February and March this year. Upon successfully completing the workover, the well was restored to production by installing a hydraulic jet pump. The workover doubled the production of the field from roughly 200 BOPD to over 400 BOPD.

During the second quarter the jet pump, which provides power for both wells, was optimized to maximize production from both wells – a process which requires balancing the pump power between the wells as the completion strings in the wells are different diameters. Towards the end of the second quarter, the 7TTG well started showing signs of reduced productivity. Subsequent tests suggest that there is a leak in the tubing string which in turn affect the efficiency of the pump thereby causing lower than anticipated production. The Company is evaluating the merits of a further workover to restore the production to the full potential of the well. High fluid levels in the well suggests the reduction in production is not due to reservoir deliverability, but instead points to a mechanical obstruction or leak in the completion.

Maha believes that the application of horizontal drilling and modern day completion practices could have significant application in this field with the opportunity to materially increase production and reserves. To that end, the Company is finalizing plans to re-enter and side-track one of the existing wells or drill a new well with a view to complete a horizontal well in the Penedo formation. Re-entries and side-tracking are a very cost effective way to use old wellbores, minimize impact on the environment and to increase production using horizontal drilling technology. Additional wells are planned to be drilled to fully exploit the Tartaruga structure in due course.

LAK Ranch –

The Company owns 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 produced from the LAK area is 19° API. The LAK Ranch oil field produced a total of 5,543 barrels, net to Maha in H1 2017 at an average price of USD 43.08 (3,564 barrels at an average price of USD 24.76 in the same period of 2016).

As at June 30, 2017, 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 operating costs, net of revenues, since the commencement of operations have been capitalized as part of exploration and evaluation costs.

For the Q2 and H1 2017, the Company generated revenue from LAK Ranch of TUSD 105 and TUSD 239 respectively, on an average sales volume of 29 and 31 boepd, compared with TUSD 87 of revenue during H1 2016 from an average sales volume of 39 boepd. The LAK field was shut in during Q2 2016.

The LAK field was shut in from April 2016 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 the handling of produced water and re-injection of water for pressure maintenance. The project was completed and production from a limited number of wells was re-established by the end of August 2016.

During the fourth quarter of 2016, the field was slightly reconfigured to a pilot hot water injection program. This entailed injecting hot water into two injection wells in a limited area. Initial results were encouraging, but formation and/or completion damage was suspected in some of the production wells. A JetVac system was mobilized during March 2017 which required the majority of the producing wells to be shut in to allow access to the clean out equipment. JetVac procedures were performed on 3 producing wells. Inflow Performance tests were also performed on all three producing wells with good results. One well unloaded excessive amounts of very 'fine sand and silt', while the other two showed very little sign of wellbore damage.

From the JetVac results, it was decided to expand the hot water injection pilot test to include additional injectors and producers to increase water sweep efficiency. Results of the expanded injection tests are expected during the third quarter of 2017. Initial results show steady increasing production in one well and steady production in the second producer affected by the new pattern. Production monitoring is continuing and based on the results of the hot water injection tests a further expansion of the project will be dependent on Company allocation of capital.

An updated reserve report was completed during the first quarter of 2017. Chapman Petroleum Engineering revised the Proven and Probable (2P) reserves upwards slightly (13.2 million barrels) whilst keeping the proven (P) reserves almost the same (0.04 million barrels). Technical work completed during 2015, 2016 and this year to date provides useful groundwork for the anticipated full field development plan based on a hot water flood scheme. 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 would be far offset by the elimination of steam requirements.

Gran Tierra Acquisition, Brazilian operations –

In July 2017, Maha completed the acquisition of the Brazilian business unit of Gran Tierra Energy Inc. (“Gran Tierra”) for cash consideration of TUSD 35,000 (before post-closing adjustments) and the assumption of approximately TSD 11,000 in Government Guarantees and Letters of Credit (the “Acquisition”). The closing of the Acquisition occurred sooner than anticipated. Following the Acquisition, Maha owns and operates, through a wholly-owned subsidiary, the 100% working interests in six concession agreements located in the Reconcavo Basin of Brazil. Gran Tierra reported average production for the second quarter of 1,339 BOEPD, oil and gas sales of MUSD 4.2 with an operating netback of MUSD 3.03 for the quarter and netback per BOE of USD 28.96.

The Tie field consists of three (3) wells dually completed in two 36 - 38 API oil producing sandstone reservoirs. Current production is from one of these three wells, the other two are currently shut in awaiting further work. One well requires artificial lift and the other well will be turned into a water injection well during the second half of this year. Water injection is expected to increase the ultimate recoverable reserves and assist in maintaining production volumes. The associated gas is currently being compressed, trucked and sold to the local market. The associated gas production currently dictates the oil production volumes as there are gas flaring restrictions in place that prohibit continuous excessive gas flaring. The Company is making plans with its customers to increase the gas offtake which will allow for an increase in oil production.

Current gathering station equipment handling capacity is restricted at 2,000 BOPD and plans are under way to increase production capacity which will require the resizing of certain production equipment, installation of artificial lift in an existing well, completion of the water injection program and the drilling of a new well. Production from the Tie Field is currently restricted due to gas offtake limitations.

Strategy

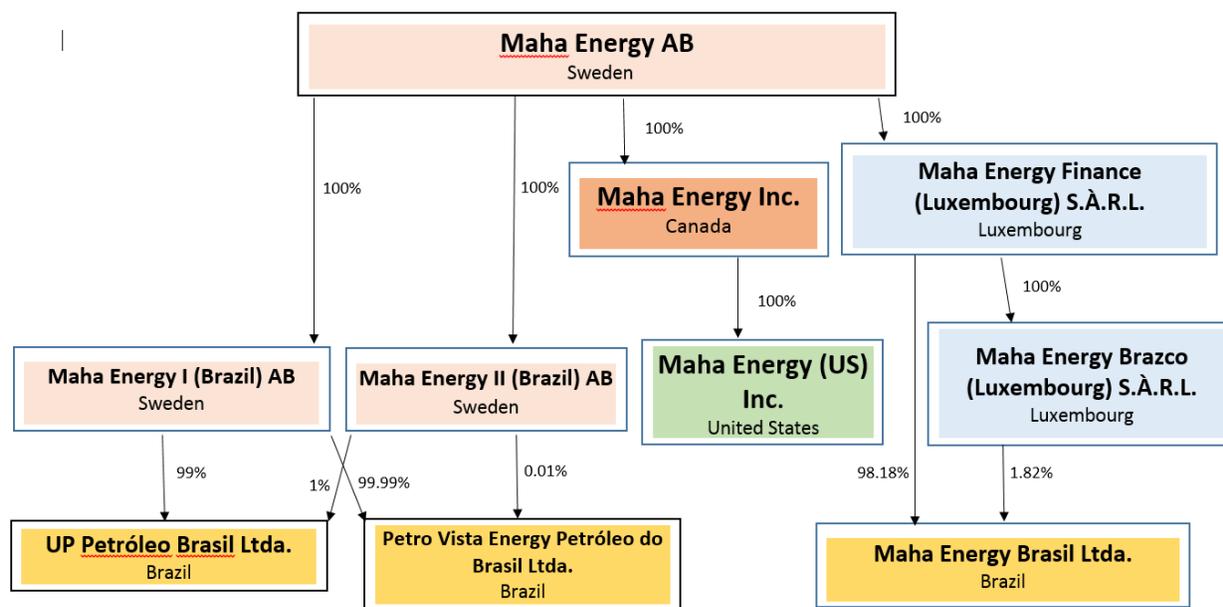
The Company’s business activities include the exploration for and development and production of hydrocarbons. The Company’s core expertise is in primary, secondary and enhanced oil and gas recovery technologies and, as such, its business strategy is to target and develop underperforming hydrocarbon assets. 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.

FINANCIAL REVIEW

This report is a review of the results and management’s analysis of the financial performance of Maha Energy AB (the “Company” or “Maha”) for Q2 and H1 2017. The financial statements included in this Second Quarter and Half Year Report have been prepared in accordance with IAS 34 as issued by the International Accounting Standards Board (“IASB”). The accounting principles included in the Company’s 2016 Annual Report have been used in preparation of these financial statements. All amounts are expressed in thousands of United States Dollars (TUSD) unless otherwise indicated.

Corporate Structure

The Maha group of companies (the “Group”) is organized as follows (in respect of Gran Tierra Finance (Luxembourg) S.a.r.l and its subsidiaries, these are included in the Group effective July 1, 2017):



Roll up

In 2015, the Group consisted of Maha Energy Inc. (“Maha (Canada)”), which was incorporated on January 23, 2013 pursuant to the Alberta Business Corporations Act and its wholly-owned subsidiary Maha Energy (US) Inc.

In May 2016, the Group undertook a corporate restructuring (the “Roll Up”) whereby the shareholders of Maha (Canada) acquired shares in Maha or Exchangeable Maha (Canada) Shares. Upon completion of the Roll up, Maha (Canada) became a wholly-owned subsidiary of Maha.

These consolidated financial statements reflect the activity of the Group for the quarter and six months ended June 30, 2017 and 2016.

Significant events

Tartaruga (Brazil) Acquisition –

In the first quarter of 2017, the Company completed the acquisition of a legal and beneficial 75% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil through the acquisition of UP Petroleo Brasil Ltda. (“UPP”) and Petro Vista Energy Petroleo Do Brasil Ltda. (“PVE”), which were subsidiaries of the two vendors. The purchases were completed in January 2017 when all of the final approvals and registrations were received.

Total consideration was as follows (subject to post-closing adjustments):

| | (TUSD) |
|-----------------|--------------|
| Purchase of UPP | 3,255 |
| Purchase of PVE | 2,685 |
| Total | 5,940 |

There is a holdback of TUSD 100 held in escrow pending the approval by the Brazilian Government and the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis of Brazil ("ANP") of the final transfer of the 7.5% working interest in the Tartaruga field that was to have been consolidated into UPP prior to closing. The approval is considered routine.

In January 2017, the Company became the operator in the Tartaruga Block. The Company treated the acquisition as being effective January 1, 2017 and included the operations in its financial statements from that date.

Sale of the Canadian Assets -

In 2016, the Company owned a 50% working interest in the Manitou property and a 30% working interest in the Marwayne property in Western Canada (the "Canadian Assets"), which were acquired from Palliser Oil and Gas Corp. in July 2014.

Effective January 1, 2017, Maha sold its interest in the Canadian Assets to Petrocapita Oil and Gas L.P. for a total consideration of CAD\$1,650,000. The consideration is payable in two parts: (a) cash payments totaling CAD\$750,000 to be paid over 9 months commencing March 15, 2017 and (b) the balance by Convertible Debenture granted by Petrocapita Income Trust, the parent of Petrocapita, maturing December 1, 2023. The payment of the cash instalments are up to date.

Because of uncertainty as to the future value of the Convertible Debenture, the Company did not assign any value to the debenture and only recognized as the fair value of the consideration the cash portion of the proceeds.

Since the Canadian Assets represented the all of the Company's producing assets as December 31, 2016 the operating results of the Canadian Assets during the 1st half of 2016 have been reclassified as discontinued operations.

Gran Tierra Acquisition, Brazilian operations –

On July 1, 2017, Maha completed the acquisition of the Brazilian business unit of Gran Tierra Energy Inc. (NYSE MKT:GTE)(TSX:GTE) 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 (the "Acquisition"). Total cash consideration of TUSD 35,000 (before post-closing adjustments) and the assumption of approximately TSD 11,000 in Government Guarantees and Letters of Credit was paid through a deposit of TUSD 3,500 made in February 2017 with the remainder paid at closing on July 1 2017. On closing, which occurred on July 1, 2017, Maha owns and operates, through a wholly-owned subsidiary, the 100% working interests in six concession agreements located in the Reconcavo Basin of Brazil.

Results

The Company recorded a loss from continuing operations for the six months ended June 30, 2017 of TUSD 3,626 or \$0.04 per share compared to a loss of TUSD 651 or \$0.02 per share for the same period of the prior year. This was primarily due to higher finance costs related to the bond and rights issue, additional depletion charges on the Tartaruga field and foreign exchange losses on SEK balances cash and deposit balances.

Revenue –

During 2016 all of the Company's revenue came from the Canadian Assets. As the assets were sold effective January 1, 2017, the Company has no revenue from those assets in 2017. Additionally, the Company's revenues and expenses from the Canadian Assets for the 1st half of 2016 have been reclassified as discontinued operations and removed from continuing operations.

Effective January 1, 2017, the Company completed the acquisition of an operated interest in the Tartaruga field in Brazil. Sales for the 1st half of 2017 are represented by these assets as follows:

| | 2017 – Q1 | 2017 – Q2 | 2017 – H1 |
|-------------------------------------|-----------|-----------|-----------|
| Oil sales (before royalties) (bbls) | 8,949 | 19,393 | 28,343 |
| Average daily sales volume (bopd) | 99 | 213 | 157 |
| Oil price (USD/bbl) | 55.55 | 51.29 | 52.63 |
| Oil revenue (TUSD) | 497 | 995 | 1,492 |

Q1 2017 revenue was limited as the producing wells in the field were shut-in for much of the quarter for the completion of a major workover, which benefited Q2 2017 production and revenue.

General and Administration –

General and Administration costs (“G&A”) are broken down as follows:

| | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|----------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| (TUSD) | | | | |
| Salaries and benefits | 272 | 212 | 549 | 465 |
| Professional fees | 230 | 86 | 536 | 129 |
| Marketing and listing fees | 190 | 10 | 257 | 10 |
| Travel | 98 | 10 | 209 | 42 |
| Consulting fees | 221 | - | 270 | - |
| Other | 219 | 18 | 407 | 36 |
| | 1,230 | 336 | 2,228 | 682 |

Salaries and benefits increased primarily due to staff required for the Company’s expanded operations (Brazil and Wyoming).

Professional fees consist primarily of legal and audit fees and accounting and taxation consulting. Current year costs relate primarily to the GTE acquisition, while the cost in 2016 primarily relates to costs of preparing the Initial Public Offering (“IPO”).

Marketing and listing fees relate to the marketing of the IPO and the listing on the Nasdaq First North Exchange which started late in the 2nd quarter of 2016.

Consulting fees relate to merger and acquisition activities and contract engineering services in Brazil.

Depletion, depreciation and amortization (“DD&A”) –

DD&A costs relate primarily to the Tartaruga assets in Brazil.

Balance sheet

Share data

As at June 30, 2017 the Company had 95,155,646 shares outstanding of which 84,383,973 were class A shares and 10,771,673 were class B shares. In addition, there were 1,698,000 convertible class C2 shares, after giving effect to the expiry of 300,000 options for which the corresponding C2 shares have not been 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 Maha (Sweden) Class A shares.

In relation to completing the GTE acquisition:

- In the 1st quarter of 2017 the Company completed a Directed Share Issue of 12,919,326 Maha A-shares at a share price of SEK 7.10 for gross proceeds of TSEK 91,727 (approximately USD 10.5 million).
- In the 2nd quarter of 2017, as a result of Maha's guaranteed rights issue, the Company issued 12,919,326 Maha A-shares. Through the rights issue, Maha will receive gross proceeds amounting to TSEK 91,727 (approximately USD 10.3 million) before transaction related costs that include a guarantee provision paid in cash.
- In the 2nd quarter of 2017, the Company issued senior secured bonds ("Bonds") and warrants as part of a fully subscribed financing totaling TSEK 300,000 under a framework amount of TSEK 500,000. The Bonds have a term of four years; have a fixed interest rate coupon of 12% per annum, paid semi-annually, and were issued with a total of 13,350,000 detachable warrants for Class A shares of the Company ("Warrant(s)"). Each Warrant has a strike price of SEK 7.45 and an exercise period of four years.

Liquidity and capital resources

As at June 30, 2017, the Company had current assets of TUSD 15,797 comprised primarily of cash and cash equivalents, and current liabilities of TUSD 5,597 resulting in net working capital of TUSD 10,200 (December 31, 2016 – TUSD 7,105).

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.

At June 30, 2017, the Company had TUSD 43,669 on deposit or in escrow to complete the acquisition of Gran Tierra's Brazilian assets. On July 1, 2017 the Acquisition closed with the Company applying TUSD 37,957 (including initial deposit and subject to post-closing adjustments) to the purchase of the assets and depositing a further TUSD 4,700 as security for letters of credit for work commitments on the Gran Tierra Brazilian assets.

Financial instruments and risks

At June 30, 2017, the Company's financial instruments consist primarily 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

At June 30, 2017, the Company's expenditures are predominantly in USD, CAD, Brazilian Reals (BRL) and Swedish Kronor (SEK). Future project exploration and development expenditures are expected to be paid primarily in USD and BRL. A significant change in the relative currency exchange rates between the CAD, SEK, BRL and 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 CAD, SEK, BRL and USD.

(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 and Swedish financial institutions in non-interest bearing accounts.

The Company's accounts receivable are composed of (KUSD):

| | |
|--------------------------------|-------|
| Oil and gas sales (Brazil) | 28 |
| Sale of Canadian assets | 462 |
| Share subscriptions receivable | 1,551 |
| Other | 22 |
| | <hr/> |
| | 2,063 |

The Company's oil and gas sales are to the Brazilian national oil company and are considered to be relatively low risk. The remaining proceeds on the sale of the Canadian Assets are from a Canadian oil and gas trust, which is current on payments to Maha but has some liquidity issues.

(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 the 2016 Annual Report. 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 positive working capital of TUSD 10,200 as at June 30, 2017. 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

No legal matters outstanding as of June 30, 2017. Following the Gran Tierra 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 labour, regulatory and operations, each of which are considered routine, non-material and consistent with doing business in Brazil.

Seasonal effects

Maha Energy has no significant seasonal variations.

Approved by the Board

Jonas Lindvall
Jonas Lindvall, Director

Wayne Thomson
Wayne Thomson, Director

Maha Energy AB

Consolidated Statement of Operations and Comprehensive Loss in Summary

(Thousands of US dollars)

| | Note | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|---|------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Revenue | | | | | |
| Oil sales | | 995 | - | 1,492 | - |
| Royalties | | (244) | - | (407) | - |
| | | 751 | - | 1,085 | - |
| Expenses | | | | | |
| Production and operating | | 504 | - | 847 | - |
| General and administration | | 1,230 | 336 | 2,228 | 682 |
| Stock-based compensation | 8 | (16) | 43 | (14) | 87 |
| Depletion depreciation and amortization | | 515 | 16 | 728 | 29 |
| Foreign currency exchange loss | | 1,291 | 8 | 1,302 | 20 |
| | | 3,524 | 403 | 5,091 | 818 |
| Operating result | | (2,773) | (403) | (4,006) | (818) |
| Finance costs | 3 | 534 | 4 | 550 | 7 |
| Transaction costs | | 319 | 269 | 319 | 436 |
| Result before tax | | (3,626) | (676) | (4,875) | (1,261) |
| Income tax | | - | - | - | - |
| Result for the period from continuing operations | | (3,626) | (676) | (4,875) | (1,261) |
| Loss on sale of Canadian assets | 4 | - | - | (54) | - |
| Income from discontinued operations | 4 | - | (25) | - | (28) |
| Results for the period | | (3,626) | (651) | (4,929) | (1,233) |
| Currency translation differences | | (1,272) | - | (1,362) | - |
| Comprehensive result for the period | | (2,354) | (651) | (3,567) | (1,233) |
| Basic and diluted loss per common share | | (0.04) | (0.02) | (0.06) | (0.03) |
| Weighted average number of common shares outstanding | | 83,372,085 | 43,087,430 | 77,999,910 | 43,087,430 |

Maha Energy AB

Consolidated Balance Sheet in Summary

| (Thousands of US dollars) | Note | June 30, 2017 | December 31, 2016 |
|---|-------|---------------|-------------------|
| Assets | | | |
| Non-Current assets | | | |
| Deposits on acquisitions | 2, 12 | 43,669 | 5,590 |
| Exploration and evaluation assets | 5 | 17,579 | 17,174 |
| Property and equipment | 6 | 8,434 | 2,313 |
| Performance bonds and others | | 176 | 151 |
| | | 69,858 | 25,228 |
| Current assets | | | |
| Accounts receivable | | 2,063 | 115 |
| Inventory | | 194 | - |
| Prepaid expenses and other | | 216 | 233 |
| Cash and cash equivalents | | 13,324 | 6,758 |
| | | 15,797 | 7,106 |
| Total Assets | | 85,655 | 32,334 |
| Shareholders' Equity and Liabilities | | | |
| Shareholders' Equity | 8 | 48,060 | 31,136 |
| Non-Current liabilities | | | |
| Bond payable | 9 | 31,217 | - |
| Decommissioning provision | 7 | 781 | 829 |
| | | 31,998 | 829 |
| Current liabilities | | | |
| Accounts payable | | 4,070 | 369 |
| Accrued liabilities | | 1,527 | - |
| | | 5,597 | 369 |
| Total liabilities | | 37,585 | 1,198 |
| Total liabilities and shareholders' equity | | 85,655 | 32,334 |

Maha Energy AB

Consolidated Statement of Changes in Equity in Summary

| (Thousands of US dollars) | Share Capital | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Deficit | Total Shareholders' Equity |
|--|------------------|------------------------|--|-----------------|----------------------------------|
| Balance at January 1, 2016 | 26,786 | 1,905 | - | (6,905) | 21,786 |
| Comprehensive income | | | | | |
| Result for the year | - | - | - | (1,875) | (1,875) |
| Currency translation difference | - | - | (738) | - | (738) |
| Total comprehensive income | - | - | (738) | (1,875) | (2,613) |
| Transactions with owners | | | | | |
| Roll up of Maha Energy Inc. | (26,717) | 26,717 | - | - | - |
| Issue of shares | 53 | 13,668 | - | - | 13,721 |
| Share issue cost | - | (1,946) | - | - | (1,946) |
| Reduction of capital | (35) | 35 | - | - | - |
| Exercise of stock options | - | 45 | - | - | 45 |
| Stock-based compensation | - | 143 | - | - | 143 |
| Total transactions with owners | (26,699) | 38,662 | - | - | 11,963 |
| Balance at December 31, 2016 | 87 | 40,567 | (738) | (8,780) | 31,136 |
| Comprehensive income (loss) | | | | | |
| Result for the year | - | - | - | (4,929) | (4,929) |
| Currency translation difference | - | - | 1,362 | - | 1,362 |
| Total comprehensive income (loss) | - | - | 1,362 | (4,929) | (3,567) |
| Transactions with owners | | | | | |
| Share issuance | 32 | 20,645 | - | - | 20,677 |
| Share issue cost | - | (2,675) | - | - | (2,675) |
| Fair market value of warrants issued | - | 2,211 | - | - | 2,211 |
| Reduction of capital | (2) | 2 | - | - | - |
| Stock based compensation | - | (14) | - | - | (14) |
| Exercise of warrants | - | 3 | - | - | 3 |
| Exercise of stock options | - | 289 | - | - | 289 |
| Total transactions with owners | 30 | 20,461 | - | - | 20,491 |
| Balance at June 30, 2017 | 117 | 61,028 | 624 | (13,709) | 48,060 |

Maha Energy AB

Consolidated Statement of Cash Flows in Summary

| (Thousands of U.S. dollars) | Note | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|--|------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Cash flow from operations | | | | | |
| Operating results | | (3,626) | (651) | (4,929) | (1,233) |
| Add backs: | | | | | |
| Stock based compensation | | (16) | 43 | (14) | 87 |
| Depletion and depreciation and accretion | | 515 | 24 | 728 | 39 |
| Loss on sale of Canadian assets | 4 | - | - | 54 | - |
| Accretion of discount | 7 | 10 | (5) | 19 | - |
| Accretion of loan liability | 9 | 65 | - | 65 | - |
| Unrealized foreign exchange loss | | 1,535 | - | 1,568 | 17 |
| Changes in non-cash working capital | | 3,774 | 1,529 | 4,083 | 239 |
| Cash flow from operations | | 2,257 | 940 | 1,574 | (851) |
| Investing activities | | | | | |
| Deposits and loans on Tartaruga acquisition | 2 | - | (1,316) | (350) | (1,316) |
| Deposit on GTE acquisition | 12 | (40,169) | - | (43,669) | - |
| Proceeds on sale of Canadian assets | 4 | - | - | 111 | - |
| Additions to developed and producing (D&P) assets | | (2) | 5 | (615) | (5) |
| Additions of exploration and evaluation (E&E) assets | | (59) | (225) | (405) | (544) |
| Purchase of performance bonds | | - | (1) | (25) | (1) |
| Cash flow from investment activities | | (40,230) | (1,537) | (44,953) | (1,866) |
| Financing activity activities | | | | | |
| Issue of shares, net of share issue costs | | 6,852 | - | 16,487 | - |
| Issue of bonds, net of financing costs | | 32,734 | (381) | 32,734 | (381) |
| Cash flow from financing activities | | 39,586 | (381) | 49,221 | (381) |
| Foreign exchange gain on cash and cash equivalent | | 639 | - | 724 | - |
| Net (decrease)/increase in cash | | 2,363 | (978) | 6,566 | (3,098) |
| Cash and cash equivalents, beginning of period | | 10,961 | 2,473 | 6,758 | 4,593 |
| Cash and cash equivalents, end of period | | 13,324 | 1,495 | 13,324 | 1,495 |

Parent Company Income Statement in Summary

| (Expressed in TSEK) | Note | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|--------------------------------|------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Revenue | | - | - | - | - |
| Expenses | | | | | |
| General and administrative | | 5,813 | 3 | 6,695 | 3 |
| Finance costs | | 4,065 | - | 4,089 | - |
| Foreign currency exchange loss | | 10,595 | - | 10,462 | - |
| | | 20,473 | 3 | 21,246 | 3 |
| Result for the period | | (20,473) | (3) | (21,246) | (3) |

Parent Company Balance Sheet in Summary

| (Expressed in TSEK) | June 30, 2017 | December 31, 2016 |
|---|----------------|-------------------|
| Assets | | |
| Non-current assets | | |
| Deposits on acquisitions | 368,615 | - |
| Investment in subsidiaries | 183,640 | 183,640 |
| Loans to subsidiaries | 70,962 | 60,480 |
| | 623,217 | 244,120 |
| Current assets | | |
| Accounts receivable and other | 11,881 | 3 |
| Cash and cash equivalents | 110,533 | 43,840 |
| | 122,414 | 43,843 |
| Total Assets | 745,631 | 287,963 |
| Shareholders' Equity and Liabilities | | |
| Shareholders' Equity | 447,064 | 287,397 |
| Non-current liabilities | | |
| Bond Payable | 263,510 | - |
| | 263,510 | - |
| Current liabilities | | |
| Accounts payable and accrued | 35,057 | 566 |
| | 35,057 | 566 |
| Total liabilities | 298,567 | 566 |
| Total Equity and Liabilities | 745,631 | 287,963 |

Parent Company Statement of Changes in Equity in Summary

| (Expressed in TSEK) | Share capital | Contributed surplus | Deficit | Total Equity |
|--|---------------|---------------------|-----------------|----------------|
| Balance at January 1, 2016 | 50 | - | - | 50 |
| Transactions under common control | 541 | 182,998 | - | 183,539 |
| Share issuance | 453 | 122,427 | - | 122,880 |
| Share issue costs | - | (17,438) | - | (17,438) |
| Reduction in capital | (240) | 240 | - | - |
| Result for the year | - | - | (1,634) | (1,634) |
| Balance at December 31, 2016 | 804 | 288,227 | (1,634) | 287,397 |
| Share issuance | 284 | 183,111 | - | 183,395 |
| Share issue costs | - | (23,683) | - | (23,683) |
| FMV of warrants issued | - | 19,609 | - | 19,609 |
| Reduction in capital | (20) | 20 | - | - |
| Exercise of warrants and stock options | - | 1,592 | - | 1,592 |
| Result for the period | - | - | (21,246) | (21,246) |
| Balance at June 30, 2017 | 1,068 | 468,876 | (22,880) | 447,064 |

Parent Company Cash Flow Statement in Summary

| (Expressed in TSEK) | Note | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|---|------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Cash flow from operations | | | | | |
| Operating result | | (20,473) | (3) | (21,246) | (3) |
| Accretion of bond liability | | 573 | - | 573 | - |
| Change in non-cash working capital | | 20,636 | - | 22,613 | - |
| Cash flow from operations | | 736 | (3) | 1,940 | (3) |
| Investing activities | | | | | |
| Deposits | | (337,409) | - | (368,615) | - |
| Investment in subsidiaries | | - | - | - | - |
| Loans to subsidiaries | | 690 | 175 | (10,482) | 175 |
| Cash flow from investment activities | | (336,719) | 175 | (379,097) | 175 |
| Financing activities | | | | | |
| Issue of shares, net of share issue costs | | 94,535 | - | 180,913 | - |
| Issue of bond, net of financing costs | | 262,937 | - | 262,937 | - |
| Cash flow from financing activities | | 357,472 | - | 443,850 | - |
| Net increase in cash | | 21,489 | 172 | 66,693 | 172 |
| Cash and cash equivalent, beginning of period | | 89,044 | 50 | 43,840 | 50 |
| Cash and cash equivalents, end of period | | 110,533 | 222 | 110,533 | 222 |

Maha Energy AB

Second quarter and first half ended June 30, 2017

Notes to the Financial Statements

(Tabular amounts are in thousands of US Dollars (TUSD), unless otherwise stated).

1. Corporate information and basis of presentation

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 T2W4X9. The Company has operations offices in Newcastle, Wyoming, USA and Aracaju, 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.

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 (see Note 12 “Share capital” of the Company’s Annual Report 2016). 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 these 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 of Maha Energy AB.

These consolidated financial statements (the “Financial Statements”) reflect the activity for the quarter and six months ended June 30, 2017 and 2016.

Accounting Principles

This interim report of the Maha Energy AB Group has 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 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.

The accounting principles included in the Annual Report 2016 have been used in preparation of these condensed consolidated financial statements. No changes in accounting principles have occurred in 2017.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4 of the Company’s Annual Report 2016.

The following new standards and amendments have been issued but are not effective:

- 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.
- IFRS 9; “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard will replace IAS 39 and is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.
- 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 years beginning on or after January 1, 2019 with early adoption permitted if the Company is also applying IFRS 15.

Interpretation of the new IFRS standards is currently in progress; the full impact on the financial statements will be determined upon completion of management’s assessment.

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. These Financial Statements have been prepared on a historical cost basis except as disclosed in the accounting policies.

Presentation and Functional Currency

The 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.

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which each entity operates (“functional currency”). The consolidated financial statements are presented in United States Dollars (USD) which is the currency the Company has elected to use as its presentation currency. The functional currency of the parent company, Maha Energy AB, is the Swedish Kronor (SEK). The SEK is also the presentation currency of the parent company statements for Maha Energy AB. Management has determined that the functional currencies of the Company’s subsidiaries are as follows:

| Subsidiary | Functional Currency |
|--|---------------------|
| Maha Energy Inc. | USD |
| Maha Energy (USA) Inc. | USD |
| Maha Energy 1 (Brazil) AB | SEK |
| Maha Energy 2 (Brazil) AB | SEK |
| UP Petroleo Brasil Ltda | USD |
| Petro Vista Energy Petroleo do Brasil Ltda | USD |

Exchange Rates

For the presentation of the financial statements for the reporting period, the following exchange rates have been used:

| Currency | 30 June 2017 | | 30 June 2016 | | 31 December 2016 | |
|-----------|--------------|------------|--------------|------------|------------------|------------|
| | Average | Period end | Average | Period end | Average | Period end |
| SEK / USD | 8.8695 | 8.4411 | 8.2277 | 8.5426 | 8.5543 | 9.1075 |
| BRL / USD | 3.1915 | 3.3067 | - | - | - | 3.2552 |

2. Tartaruga Acquisition

In January 2017, Maha completed the purchase of a legal and beneficial interest in an operated 75% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil (the "Tartaruga Acquisition"). The purchase was completed through the acquisition of the shares of UP Petroleo Brasil Ltda ("UPP") and Petro Vista Energy Petroleo Do Brasil Ltda ("PVE").

The total purchase price of TUSD 5,940 includes loans and deposits paid in 2016 of TUSD 5,590 and an additional deposit of TUSD 350 paid in the 1st quarter of 2017 of which TUSD 100 is being held in escrow pending approval by the Brazilian Government and the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis of Brazil ("ANP") of the transfer of a 7.5% working interest in the Tartaruga field that was to have been consolidated into UPP prior to closing. The approval is considered routine.

Since the Company completed the acquisition in the current reporting period and the effect of the purchase agreements was that the Company received the risks and rewards of ownership from the beginning of the reporting period, Maha has recorded the purchase as at January 1, 2017 and has included the results of its operations from that date in the result of the period.

Purchase price allocation

The acquisition has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The purchase price allocation is based on management's best estimate of the fair values of the assets and liabilities acquired.

| | |
|--|---------|
| Cash | 60 |
| Accounts receivable | 220 |
| Inventory | 198 |
| Other assets | 17 |
| Property, plant and equipment | 7,098 |
| Total assets acquired | 7,593 |
| Accounts payable and other liabilities | (1,453) |
| Decommissioning provision | (200) |
| Net assets acquired | 5,940 |

The Company may update this allocation for up to one year from the date of acquisition if additional information or circumstances require it. For the six months ended June 30, 2017 Maha recorded oil and gas sales, net of royalties, of TUSD 1,085 and a loss of TUSD 742 related to the acquired operations.

3. Finance Costs

| | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|--|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Accretion of bond liability (Note 9) | 65 | - | 65 | - |
| Accretion of decommissioning provision | 10 | 4 | 19 | 7 |
| Interest on bond (Note 9) | 338 | - | 338 | - |
| Other interest and bank charges | 121 | - | 128 | - |
| | 534 | 4 | 550 | 7 |

4. Discontinued Operations

In February 2017, Maha sold its interest in the Manitou and Marwayne properties (the "Canadian Assets") for a total of CAD\$1,650,000. The consideration is payable in two parts: (a) cash payments totaling CAD\$750,000 to be paid over 9 months commencing March 15, 2017 and (b) the balance by convertible Debenture granted by the purchaser, maturing December 1, 2023 (the "Debenture"). Under the Debenture arrangement, the Trust pays annual interest on the outstanding balance at 6% and Maha may convert the outstanding balance at any time after December 31, 2017 to publically traded Trust Units based on the 20 day volume weighted average trading price of the Unit at the time of conversion. The outstanding balance will be secured by a registered charge on the Canadian Assets. Based on the uncertainty of realizing any value from the Debenture, the Company has assigned it a fair value of USD NIL. The results of the discontinued operations are as follows:

| Results of discontinued operations | 2 nd quarter 2017 | 2 nd quarter 2016 | 1 st half 2017 | 1 st half 2016 |
|-------------------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Revenue | - | 36 | - | 97 |
| Expenses and other | - | 11 | - | 69 |
| Income from discontinued operations | - | 25 | - | 28 |
| Loss on disposal | - | - | 54 | - |
| Result from discontinued operations | - | 25 | (54) | 28 |

5. Exploration and evaluation assets ("E&E")

As at June 30, 2017, 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.

| | |
|--|---------------|
| Balance, January 1, 2016 | 16,315 |
| Expenditures in the period | 1,015 |
| Incidental income from sale of crude oil | (156) |
| Balance, December 31, 2016 | 17,174 |
| Expenditures in the period | 584 |
| Incidental income from sale of crude oil | (179) |
| Balance, June 30, 2017 | 17,579 |

6. Property and equipment

| | Oil and gas properties | Equipment and Other | Total |
|---|---------------------------|------------------------|----------------|
| Cost | | | |
| Balance at January 1, 2016 | 2,935 | 1,596 | 4,531 |
| Additions | - | 67 | 67 |
| Balance at December 31, 2016 | 2,935 | 1,663 | 4,598 |
| Sale of Canadian assets | (2,976) | - | (2,976) |
| Purchase of Brazil assets | 6,872 | 226 | 7,098 |
| Additions | 676 | (60) | 616 |
| Balance at June 30, 2017 | 7,507 | 1,829 | 9,336 |
| Accumulated depletion and depreciation | | | |
| Balance at January 1, 2016 | (2,673) | (113) | (2,786) |
| Depletion and depreciation | - | (61) | (61) |
| Reversal of prior period impairment | 562 | - | 562 |
| Balance at December 31, 2016 | (2,111) | (174) | (2,285) |
| Sale of Canadian assets | 2,111 | - | 2,111 |
| Depletion and depreciation | (689) | (39) | (728) |
| Balance at June 30, 2017 | (689) | (213) | (902) |
| Carrying amount | | | |
| December 31, 2016 | 824 | 1,489 | 2,313 |
| June 30, 2017 | 6,818 | 1,616 | 8,434 |

7. Decommissioning provision

The Company has calculated a decommissioning provision with respect to its LAK Ranch Project and has estimated the liability for the decommissioning of the Tartaruga assets in Brazil.

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

| | |
|--|------------|
| Balance at January 1, 2016 | 835 |
| Change in estimates | (32) |
| Accretion expense | 18 |
| Foreign exchange movement | 8 |
| Balance at December 31, 2016 | 829 |
| Liability on assets acquired in Brazil | 200 |
| Liability on Canadian assets sold | (265) |
| Accretion expense | 19 |
| Foreign exchange movement | (2) |
| Balance at June 30, 2017 | 781 |

8. Share Capital

| Shares outstanding | Number of Shares by Class | | | | Total |
|-------------------------------------|---------------------------|-------------------|-------------|------------------|-------------------|
| | A | B | C1 | C2 | |
| Balance at January 1, 2016 | 50,000 | - | - | - | 50,000 |
| May 20, 2016 | | | | | |
| 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 |
| Conversion of convertible B shares | 1,468,599 | (1,468,599) | - | - | - |
| Issuance of shares | 484,212 | - | - | - | 484,212 |
| Retraction of convertible C1 shares | - | - | (1,844,527) | - | (1,844,527) |
| Exercise of Maha (Canada) options | 100,000 | - | - | (100,000) | - |
| Balance at December 31, 2016 | 56,522,199 | 12,140,795 | - | 2,648,000 | 71,310,994 |
| Conversion of convertible B shares | 1,369,122 | (1,369,122) | - | - | - |
| Exercise of Maha (Canada) options | 650,000 | - | - | (650,000) | - |
| Exercise of warrants | 4,000 | - | - | - | 4,000 |
| Forfeiture of options | - | - | - | (300,000) | (300,000) |
| Issuance of shares | 25,838,652 | - | - | - | 25,838,652 |
| Balance at June 30, 2017 | 84,383,973 | 10,771,673 | - | 1,698,000 | 96,853,646 |

In the 1st quarter of 2017 the Company completed a Directed Share Issue of 12,919,326 Maha A-shares at a share price of SEK 7.10 for gross proceeds of TSEK 91,727 or approximately USD 10.5 million.

In the 2nd quarter of 2017, as a result of Maha's guaranteed rights issue, the Company issued 12,919,326 Maha A-shares at a share price of SEK 7.10. Through the rights issue, Maha will receive gross proceeds amounting to TSEK 91,727 before share issue costs that include a guarantee provision to be paid in cash. At June 30, 2017 proceeds of approximately KUSD 1,404 are outstanding and are included in accounts receivable.

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 0.76) and expire on January 15, 2018.

As part of the Bond financing (Note 9), 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 7.45 (USD 0.88) and expire on May 29, 2021.

The following warrants are outstanding at June 30, 2017:

| | Number of Warrants # | Exercise Price USD |
|-----------------------------------|----------------------------|--------------------------|
| Balance, January 1, 2016 | - | - |
| Issued | 6,204,963 | 0.76 |
| Balance, December 31, 2016 | 6,204,963 | 0.76 |
| Exercised | (4,000) | 0.76 |
| Issued | 13,350,000 | 0.88 |
| Balance, June 30, 2017 | 19,550,963 | 0.84 |

Maha Energy stock options

Maha Energy Inc. 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 | Vested | Exercise Price | Remaining Life |
|--------------------------|----------------------|------------------|-------------------|-------------------|
| | # | # | \$ | Years |
| March 31, 2018 | 898,000 | 898,000 | 0.45 | 0.75 |
| December 31, 2018 | 400,000 | 400,000 | 0.75 | 1.50 |
| December 31, 2018 | 350,000 | 350,000 | 1.25 | 1.50 |
| December 31, 2020 | 50,000 | 16,667 | 1.25 | 3.50 |
| Total outstanding | 1,698,000 | 1,664,667 | 0.71 | 1.16 |

The following stock options are outstanding at June 30, 2017:

| | Number of Options | Exercise Price |
|-----------------------------------|----------------------|-------------------|
| | # | \$ |
| Balance, January 1, 2016 | 2,698,000 | 0.69 |
| Granted | 50,000 | 1.25 |
| Exercised | (100,000) | 0.45 |
| Balance, December 31, 2016 | 2,648,000 | 0.70 |
| Exercised | (650,000) | 0.45 |
| Forfeited | (300,000) | 1.25 |
| Balance, June 30, 2017 | 1,698,000 | 0.71 |

At the Maha Energy AB's Annual General Meeting held on June 16, 2017, an incentive program for key employees of the group was adopted. No warrants have been issued under this program as of June 30, 2017.

9. Bond payable

On May 29, 2017 the Company issued 3,000 senior secured bonds (the "Bonds"), with a par value of SEK 100,000 per bond and 13,350 warrants to acquire Class A shares of Maha (the "Warrants") were issued for gross proceeds of TSEK 300,000 (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 Acquisition closed on July 1, 2017 (note 12).

The Bonds bear interest at a rate of 12% per annum calculated using a 360-day year, are payable semi-annually and mature on May 29, 2021. The Company may redeem all of the Bonds prior to maturity or repurchase any Bonds.

Each warrant is exercisable into one Class A share of Maha at a price of SEK 7.45 per Warrant and expires on the maturity date of the Bond.

The fair value of the Bonds of TSEK 279,000 (TUSD 32,090) was determined using the effective rate method by which future payments of interest and principal have been discounted using a rate of interest that would be reflective of a similar financing without a warrant issue (14.5%). The Company recorded issue costs of TSEK 16,063 against the initial value of the Bond.

The fair value of the Warrants of TSEK 21,000 (TUSD 2,415) was determined to the difference between the gross proceeds and the fair value of the debt. The value of the Warrants is recorded in contributed surplus. Issue costs of TUSD 154 were recognized against the initial value of the Warrants.

The initial value of the Bond will accrete up to its principal amount over the term of the Bonds. For the period ended June 30, 2017 Maha recognized TUSD 338 of interest and TUSD 65 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 | (1,813) | (16,063) |
| Net Bond at date of issue | 30,277 | 262,937 |
| Accretion of bond liability | 65 | 573 |
| Effect of currency translation | 875 | - |
| Balance at June 30, 2017 | 31,217 | 263,510 |

The Company has maintenance covenants requiring that at each quarter end:

- i) Net Interest Bearing Debt to EBITDA is not greater than 3.00 (Leverage test);
- ii) Interest Coverage Ratio always exceeds 2.25; and
- iii) Cash and cash equivalents minimum amount of TUSD 5,000

The first test date for the Leverage test and Minimum Cash test shall be as at March 31, 2018 and the first test date for the Interest Coverage Ratio test will be June 30, 2018.

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.

10. Financial instruments and risk

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

(b) Currency risk

As at June 30, 2017, the Company's capital expenditures are predominantly paid in Brazilian Reals and 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 Brazilian Reals and US Dollars. Some of the Company's expenditures (general and administrative, revenues and operating expenses) are denominated in Canadian dollars. Significant change in the relative currency exchange rates between the Brazilian Real, Canadian dollar, Swedish Krona and the US Dollar could have an effect on the Company's results of operations, financial position and cash flows. In particular, the Bonds principal amount and interest are denominated in Swedish krona while the Company's principal source of revenues to attend to such financial obligations will be US denominated oil sales collected in Brazilian Reals. The Company has not

hedged its exposure to currency fluctuations. The Company is evaluating the implementation of hedging strategies to mitigate such exposure.

Of the Company's cash, TUSD 196 is held at a large Canadian financial institution, TUSD 139 is held at a local bank in Newcastle Wyoming, TUSD 12,896 is held at a bank in Stockholm Sweden and TUSD 93 is held in a Brazilian bank. Total cash consists of TUSD 13,324 of which TUSD 131 is held in Canadian funds, TUSD 12,900 is held in Swedish Krona, TUSD 93 is held in Brazilian Reals and TUSD 200 is held in US dollars.

(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's oil and gas sales are to the Brazilian national oil company and are considered to be relatively low risk. The remaining proceeds on the sale of the Canadian Assets of TUSD 462 are from a Canadian oil and gas trust, which currently has some liquidity issues.

(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 TUSD 10,200.

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

11. Geographical information

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

| | Canada | US | Brazil | Sweden | Total |
|---|--------|--------|--------|--------|---------------|
| As at and for the six months ended June 30, 2017 | | | | | |
| Revenue | - | - | 1,085 | - | 1,085 |
| Non-current assets | 9 | 19,147 | 7,033 | 43,669 | 69,858 |
| Total assets | 479 | 19,463 | 7,373 | 58,340 | 85,655 |
| As at and for the six months ended June 30, 2016 | | | | | |
| Revenue | - | - | - | - | - |
| Non-current assets | 302 | 18,458 | - | - | 18,760 |
| Total assets | 3,446 | 18,610 | - | 19 | 22,075 |

12. Subsequent Events

Purchase of Gran Tierra Brazilian Assets and related financing

In February 2017, Maha entered into an agreement to acquire the Brazil business unit of Gran Tierra Energy Inc. ("**Gran Tierra**") (NYSE MKT:GTE)(TSX:GTE) 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. Maha provided Gran Tierra a non-refundable cash deposit ("**Initial Deposit**") of MUSD 3.5. The acquisition closed on July 1, 2017 with Maha paying additional net cash consideration of MUSD 34.4. On closing, Maha owns and will operate the 100% working interests in six concession agreements located in the Reconcavo Basin of Brazil.

Purchase price allocation -

A preliminary purchase equation has been prepared based on management's best estimates of the fair value of assets and liabilities on July 1, 2017 as follows (amounts in TUSD):

| | |
|---------------------------|---------------|
| Assets | |
| Cash | 3,300 |
| Other current assets | 1,525 |
| Oil and gas properties | 49,000 |
| Total Assets Acquired | <u>53,825</u> |
| Liabilities | |
| Current liabilities | 13,550 |
| Decommissioning provision | 2,375 |
| | <u>15,925</u> |
| Net Assets Acquired | <u>37,900</u> |

The above amounts are estimates made by management based on information available at the time these financial statements were prepared. Amendments may be made to these amounts as estimates are finalized.

Financial calendar

Third quarter report (July – September 2017) on November 29, 2017

Fourth quarter report (October – December 2017) on March 1, 2018

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