

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

To the shareholders of Établissements Maurel & Prom S.A.

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Établissements Maurel & Prom S.A. for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial

position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the audit of the consolidated financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5⁽¹⁾ of Regulation (EU) No 537/2014 or in the French Code of Ethics (code de déontologie) for Statutory Auditors.

Emphasis of Matter

We draw attention to the following matter described in:

- note 1.2. of the annex to the consolidated accounts concerning the first application of IFRS 9 "financial instruments", which deals with the classification, valuation and impairment of financial assets and IFRS 15 "income from ordinary business contracts concluded with customers" for which the application

impacts the presentation of the turnover and the positions of oil abductions;

- note 6.10 of the annex to the consolidated financial statements detailing, in particular, the change in the presentation for the euro to the US dollar.

Justification of Assessments – Key audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impact of reserve estimate on production assets valuation

Risk identified

Every year the Group engages specialists to independently appraise the reserves for each oil producing permit.

Proven and probable reserves correspond, respectively, to oil and gas reserves that are "reasonably certain" and "reasonably probable" to be producible using current technology, at current prices, with current commercial terms and government consent.

The estimation of hydrocarbon reserves is fundamental to recognising assets related to the Group's oil operations, especially with regard to recognising exploration expenditures in accordance with the "successful efforts" method that the Group applied for the first time in this fiscal year, determining the depreciation rate of those assets according to the unit-of-production method described in note 3.3 to the consolidated financial statements, as well as to the impairment tests conducted by the Cash Generating Units (CGUs) on production activities.

Reserve estimates are by nature uncertain because of the geoscience and engineering data used to determine the volume in the fields. It is also complex because of the contractual terms and conditions that determine the Group's share of reserves.

For these reasons, we have considered the estimate of proven and probable reserves to be a key audit matter.

Our response

The procedures carried out consisted in:

- noting the procedures set up by the Group to determine its hydrocarbon reserves;
- assessing the qualifications of the independent appraisers tasked with estimating and certifying the reserves;
- analysing changes in reserves compared to the end of the previous fiscal year so that our audit can focus on the main changes for the period;
- comparing actual production in previous years with the corresponding expected production;
- analysing the assumptions used by the group and the independent appraisers to determine the proven and probable reserves recoverable before the agreements conferring the production permits expire and, as necessary, the reasons that led the Group to consider that the renewal of this entitlement was reasonably certain, for the estimate of the reserves; in the case of gas reserves, corroborating their recognition level based on existing sales agreements;
- assessing whether the revised reserve estimates were properly taken into account by the Group during impairment tests and for recording depreciation and amortisation expenses.

Carrying value of oil & gas production assets

Risk identified

As at 31 December 2018, the Group's production activity was split between the Ezanga and Mnazi Bay permits, which represent MUS\$1,684 in net non-current assets and account for 85% of the Group's non-current assets.

We deemed that the impairment of non-current production activity assets was a key audit matter because of their material importance in the Group's financial statements. Furthermore, the determination of their recoverable value, based on the value of their expected updated future cash flow, requires the use of assumptions, estimates and material assessments by management, as indicated in note 3.3 to the consolidated financial statements.

Specifically, a sustained climate of low hydrocarbon prices would adversely affect the Group's results and, as a consequence, significantly impact the recoverable value of production activity assets.

The Group deems that a permit generally constitutes a Cash Generating Unit (CGU). A CGU is a set of assets whose ongoing utilisation generates cash flows that are largely independent of the cash flows from the other asset groups.

The Group performs impairment tests on those assets, the procedures for which are described in note 3.3 to the consolidated financial statements.

The main assumptions that Management takes into consideration when assessing recoverable value are, as mentioned in note 3.3.2 to the consolidated financial statements, as follows:

- the future price of hydrocarbons;
- operating costs;
- estimates of hydrocarbon reserves;
- forecasts of produced, marketed volumes;
- the discount rate after tax.

Our response

For those two assets subject to an impairment test, our audit involved obtaining the value in use (future discounted cash flows) and analysing whether, in the event that the value thus obtained is lower than the net book value, an impairment was recognised.

To assess the relevance of Management's assumptions and the data included in the assessment models, we produced a comparative analysis of industry practices relating to hydrocarbon prices (in the short, medium and long term) and discount rates.

In addition, we analysed the data underlying future cash flows used to determine the recoverable value of assets included in the tested CGUs:

- the production profiles used were compared to reserves certified by independent appraisers;
- assumptions of operating costs were corroborated with the levels of actual budgeted costs resulting from forecasts established by Management and presented to the Board of Directors;
- we assessed whether the tax rates used were consistent with applicable tax regimes or prevailing oil contracts.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in Article L. 225-102-1 of the the

French Commercial Code (code de commerce) is contained in the Group's management report, being clarified that, in accordance with the provisions of Article L. 823-10 of that code, the information contained in this Declaration has not been the subject of our share of verification of sincerity or concordance with the consolidated accounts and must be the subject of a report by an independent third-party body.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Établissements Maurel & Prom S.A. by the annual general meeting held on June 12, 2014 for KPMG and for International Audit Company.

As at December 31, 2018, KPMG and International Audit Company were in the 5 year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to

going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors
French original signed by

Paris-La Défense, on the 29 April 2019
KPMG Audit

Éric Jacquet
Partner

Paris, on the 29 April 2019
International Audit Company

Francois Caillet
Partner