



ANNUAL FINANCIAL REPORT

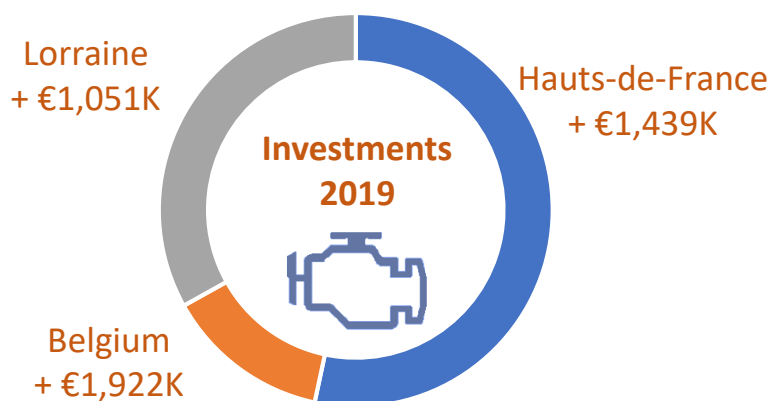
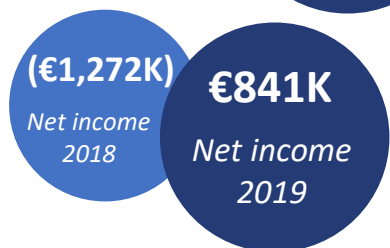
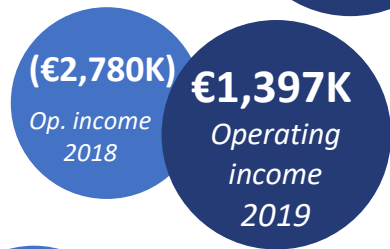
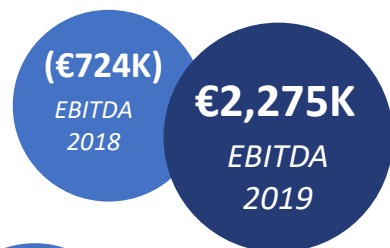
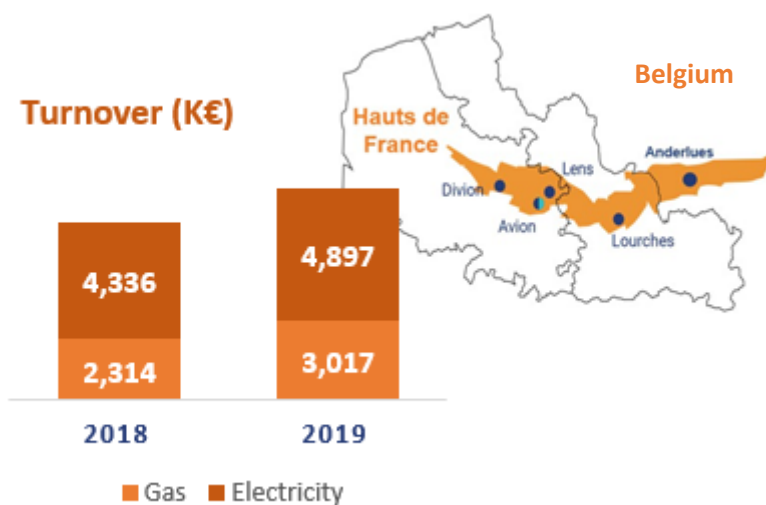
FISCAL YEAR ENDED 30 JUNE 2019

LA FRANÇAISE DE L'ÉNERGIE

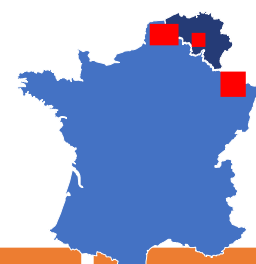
Limited company with a share capital of €5,150,659
Corporate headquarters: 1 Avenue Saint-Rémy, Espace Pierrard, 57600 Forbach
501 152 193 RCS Sarreguemines



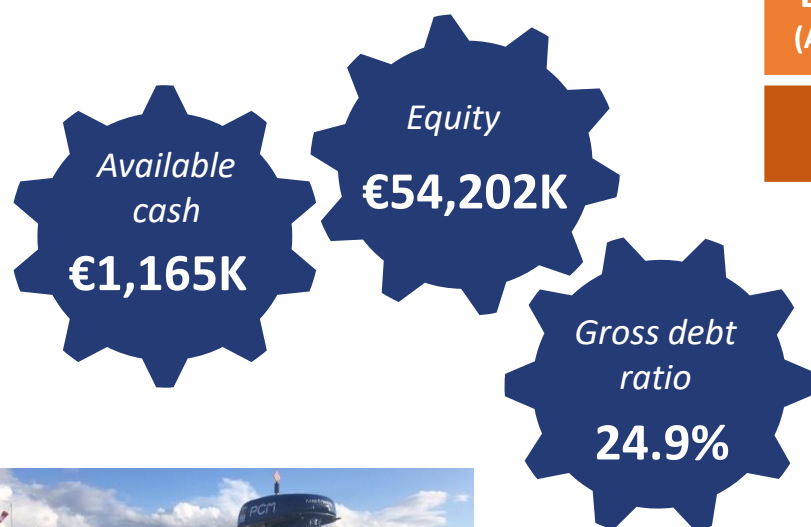
The Group: Facts and figures



2P Certified reserves (millions of m³)



Belgium (Anderlues)	Hauts-de-France	Lorraine
277	9,191	2,144



171% increase in 2P gas reserves in Lorraine

According to the new certification carried out by MHA in the Lorraine region in December 2018
Previous report: BEICIP-Franlab (IFP EN) 2016



1. DECLARATION OF THE PERSON IN CHARGE

I hereby certify that, to the best of my knowledge, the Financial Statements for the past fiscal year were prepared in accordance with applicable accounting standards and provide a true image of the assets, financial position and results of the Company, and of all companies included in the Group's scope, and the Management Report included in this annual financial report presents a true picture of changes in the business, results and financial position of the Company and of all the companies included in the Group's scope, as well as a description of the main risks and uncertainties they face.

Made in Forbach on October 24, 2019



Julien MOULIN

Chairman and Chief Executive Officer

2. STATUTORY AUDITORS

2.1 LEAD STATUTORY AUDITORS

- **Ernst and Young Audit**

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Association of Statutory Auditors)
Represented by Mr Jean-François Belorgey
Tour First – 1/2 Place des Saisons, 92037 Paris-La Défense

Appointed by decision of the sole Shareholder on 20 December 2013 for a term of six fiscal years, which will expire at the close of the General Shareholders' Assembly called to approve the Financial Statements for the fiscal year ending 30 June 2019.

- **CBP Audit et Associés**

Member of the *Compagnie Régionale des Commissaires aux Comptes d'Aix-en-Provence – Bastia* (Aix-en-Provence - Bastia Regional Association of Statutory Auditors).
Represented by Mr Daniel Noël
3, quai Kléber, 67000 Strasbourg

Appointment by decision of the sole Shareholder on 24 June 2015 for a six-year term, expiring at the end of the General Assembly that will decide on the accounts for the fiscal year that will end on 30 June 2020.

2.2 ALTERNATE STATUTORY AUDITORS

- **Auditex SAS**

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Association of Statutory Auditors).
Represented by Mohamed Mabrouk
Tour First - 1/2 Place des Saisons, 92037 Paris-La Défense

Appointed by decision of the sole Shareholder on 20 December 2013 for a term of six fiscal years, which will expire at the close of the General Shareholders' Assembly called to approve the Financial Statements for the fiscal year ending 30 June 2019.

- **Ms Isabelle Lecomte Calvet**

Member of the *Compagnie Régionale des Commissaires aux Comptes d'Aix-en-Provence – Bastia* (Aix-en-Provence - Bastia Regional Association of Statutory Auditors)
2, boulevard de Gabés - 13008 Marseille

Appointed by decision of the sole Shareholder on 24 June 2015 for a term of six fiscal years, which will expire at the close of the General Shareholders' Assembly called to approve the Financial Statements for the fiscal year ending 30 June 2020.

3. GROUP FINANCIAL REPORT AND PRESENTATION

Ladies and Gentlemen,

Pursuant to Articles L. 225-100, L. 233-26, and L. 232-1 of the French Commerce Code, we hereby present the Management Report of La Française de l’Energie SA (hereinafter referred to as the “Company”) and the Group (hereinafter referred to as the “Group”) for the fiscal year from 01 July 2018 to 30 June 2019.

3.1 BUSINESS ACTIVITY AND DEVELOPMENT OF THE COMPANY AND GROUP DURING THE PRECEDING FISCAL YEAR

3.1.1 Group perimeter

La Française de l’Energie is the Group’s parent company and the most senior entity in terms of consolidation.

The main subsidiaries held by the Company, whether directly or indirectly, are described below. As of 30 June 2019, none of the Company’s subsidiaries were listed on any stock market, whether regulated or not.

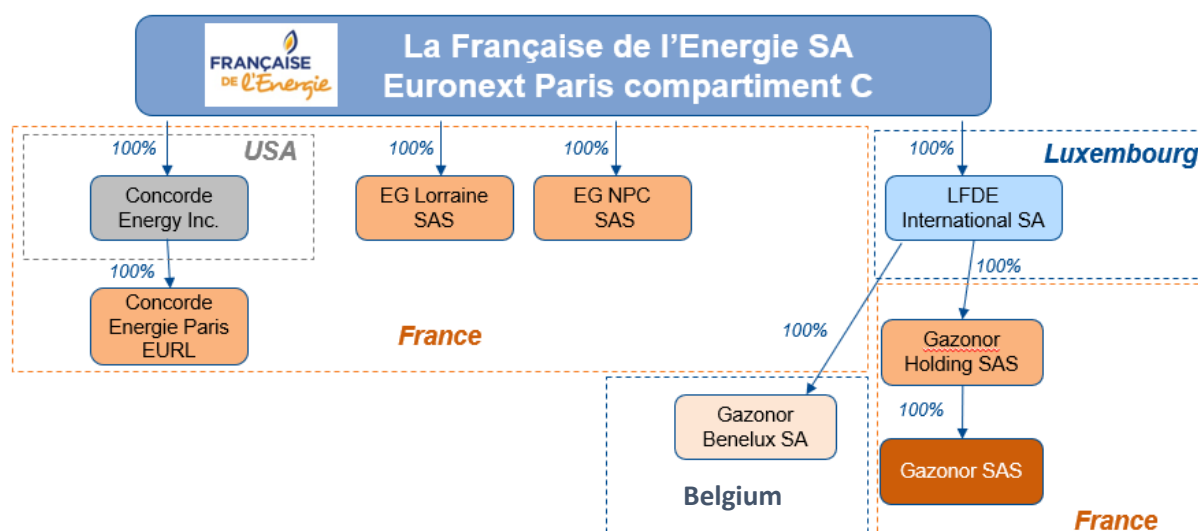
Key information on the Group’s main subsidiaries appears below:

Address and Trade and Companies Registration N°	Share Capital	% Equity Interest	Activity
<i>FRENCH COMPANIES</i>			
Concorde Energy Paris EURL (single-Shareholder limited liability) 1 avenue Saint-Rémy 57600 Forbach RCS 529 069 825	€1,000	100%	Operational company (with Exclusive Permit to Prospect [EPP] La Folie de Paris)
EG Lorraine SAS 1 avenue Saint-Rémy 57600 Forbach RCS 790 110 639	€868,544	100 %	Operational company
EG NPC SAS 1 avenue Saint-Rémy 57600 Forbach RCS 790 090 880	€1	100%	Operational company – not active to date
Gazonor SAS ZAL Fosse 7 62210 Avion RCS 381 972 439	€1,400,000	100%	Operational company (with EPP and Concessions, Désirée et Poissonnière)
Gazonor Holding SAS Zal Fosse 7, 62210 Avion RCS 451 506 612	€8,450,000	100%	Holding company

Address and Trade and Companies Registration N°	Share Capital	% Equity Interest	Activity
FOREIGN COMPANIES			
Concorde Energy Inc. 1537 Bull Lea Road Lexington, Kentucky 40511 (USA)	\$6,391,199	100%	Holding company
Gazonor Benelux SA Voie de l'Air Pur 17-19 4052 Chaudfontaine (Belgium)	€300,000	100%	Operational company (with Anderlues, Wallonia, exploitation permit)
LFDE International SA 76-78 rue de Merl 2146 Luxembourg (Luxembourg)	€1,000,000	100%	Holding company

The perimeter of Company-held subsidiaries has changed compared to 30 June 2018, following the full transfer of the assets of EG Jura and EG Gardanne to La Française de l'Énergie in November 2018. As these companies had previously been fully consolidated, this had no impact on the fiscal year ended 30 June 2019, it being specified that neither company had ever had any operational activity or employees. No other variation in the percentage of the Group's stakes in these companies occurred during this fiscal year.

The following organisational chart illustrates the Group's legal structure and, in particular, the main subsidiaries held by the Company, whether directly or indirectly, as of 30 June 2019.



3.1.2 Business activity and development

(i) Status and evolution of the Company's and the Group's business

La Française de l'Energie is the largest domestic gas producer in France and a leading operator in the production of coal-based gas and its short-supply-line exploitation as gas, electricity and heat. The Group is present in two countries, France and Belgium, with gas assets in the North and East of France and in the South of Belgium. Through its decade-old involvement in industrial ecology, the Group contributes to providing cleaner, ecologically and economically competitive energy in the territories in which it is active. The Group's aim is to substitute part of gas imports with locally-produced coalbed methane, made more attractive through short supply lines.

Thanks to the capture of gas in the former mining galleries in the Hauts-de-France, the Group is one of the main contributors to the reduction of the region's carbon footprint, avoiding more than 600,000 tonnes of CO2 emissions per year at this stage, according to a report published by the INERIS (the French National Institute responsible for environmental risks) in January 2019 (See the "Significant events" section).

The portfolio of Permits held by the Group in France consists of several exclusive exploration licences that are valid, renewed or subject to applications for concessions, and of concessions valid until 2042 for the Hauts-de-France and 2038 for Anderlues (Belgium).

The Group's operations are mainly concentrated in three areas: In France, in the Grand-Est and the Hauts-de-France, and in Belgium, in Wallonia, a region in the south of Belgium. The subsoils and geology of these areas have been well explored, documented and mapped through more than a hundred years of mining activity, thousands of pre-drilled wells, as well as other historical drilling and seismic studies activities, giving the Group a significant net competitive advantage.

(ii) Turnover and production

During the fiscal year ended 30 June 2019, the Group's turnover reached €7,914K, a net increase compared to the previous year (€6,651K). This very good annual performance is clearly related to the strong increases in sales in the second half, which benefitted from the improved availability of production equipment at the Avion site, due in great part to the replacement of the older gas engines with next-generations Siemens electric motors. The installation of two of the three new engines led to a temporary drop in production over the first half, followed by a net increase starting in the third quarter.

Changes in sales between fiscal years 2018 and 2019

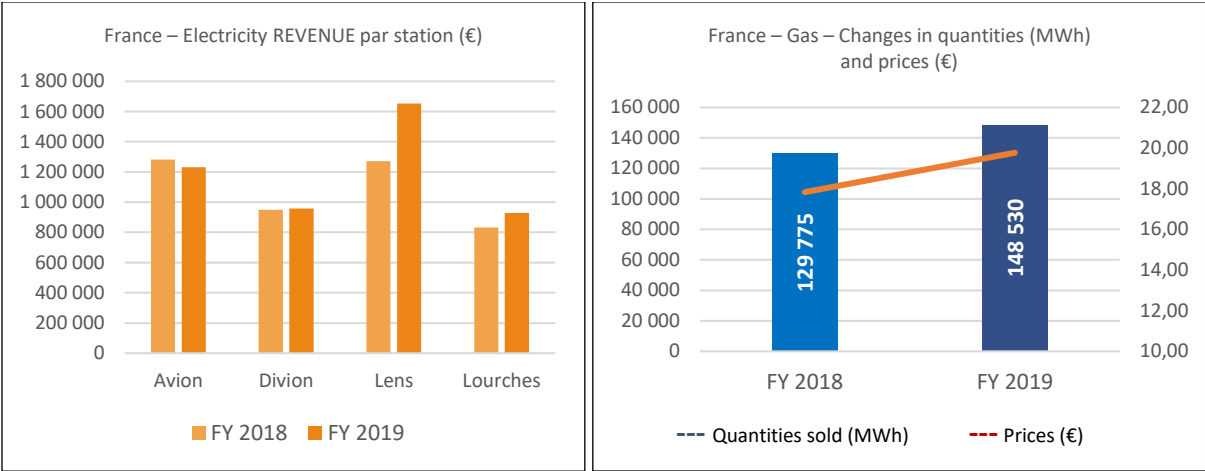
€	FY2019	FY2018	Var.	Var. %
France - Gas	3,017,009	2,314,064	702,945	30.4%
France - Electricity	4,770,637	4,336,467	434,170	10.0%
Belgium - Electricity	126,069	0	126,069	
Total Turnover	7,913,715	6,650,531	1,263,184	19.0%

As regards gas, volumes sold increased by 18,755 MW, from 129,775 to 148,530 MWh, during the year ended 30 June 2019. The good performance of gas prices accelerated this trend, with the average selling price rising from €17.83/MWh to €19.77/MWh.

At the same time, electricity sales continued to improve, with a global increase of nearly 10% for France, to €4,771K, in FY2019. Breaking this down by site, only Avion saw a decrease, due to the production shutdowns required to install the new Siemens electric motors. On the other hand, the Divion, Louches and Lens sites increased their production, with the average availability rate over the year for these three sites exceeding 94%.

Finally, in Belgium, electricity production started in late April 2019 at the Anderlues site, with a turnover of €126K as of 30 June 2019.

In terms of production, at its sites in Hauts-de-France, the activity for FY19 revealed a 41.5-million-m³ volume of extracted gas, converted to electricity, and 30.7 million m³ marketed as gas. In Belgium, this volume stood at 0.9 million m³.



(iii) EBITDA and operating income

The increase in sales was accompanied by a strong improvement in the Group’s profitability with a first positive EBITDA for the Group, which reached €2,275K, a very strong increase compared to the previous year (negative at €724K). The Group’s strong performance was due to an increase in turnover combined with a sharp decrease in the cost of goods and services sold and other administrative and operational expenses.

The decrease in the cost of goods and services sold was due in particular to the elimination of some of the production problems experienced during the previous year at the Avion site, which had generated exceptional costs in providing spare parts and purchasing natural gas, for example. As a result, purchases of natural gas decreased by almost 81% in FY19 compared to the previous year, representing a positive impact of around 1 million euros. As the new Siemens engines are electric, electricity consumption at the Avion site increased by 0.7 million euros over the period.

There was also a significant decrease in staff costs, from €2,846K to €1,811K in this year, due mainly to the charge related to the grant of free shares (€133K compared to €934K in the previous year). This charge is calculated and spread out for each of the current plans over their total acquisition period, with the most significant plan coming to an end at the end of June 2018, for a final allocation on 03 December. The average workforce, despite the increased activity, decreased by one person, for a closing workforce of 17, compared to 18 in 2018.

Excluding personnel expenses, the reduction in other administrative and operational expenses is in line with the trend already observed at the end of 2018, demonstrating the Group's ability to control its cost structure.

The absence of non-recurring items in net provisions and depreciation and amortisation also confirms this good trend, as FY18 was marked by a number of exceptional items, including asset write-downs of almost 1.3 million euros.

However, two positive one-time effects for FY19 must be highlighted: on the one hand, some 0.9 million euros in research tax credits have been calculated and deposited to catch up with previous years (2015 to 2017; and the 2018 CIR, for 0.3 million euros, was also deposited). On the other hand, taxes paid by Gazonor over the years 2016 to 2018 were refunded during the year because they were not payable, resulting in an impact of some 0.3 million euros on previous years.

All of these cumulative effects resulted in an EBITDA of €2,275K and operating income of €1,396K, thus remaining positive, including when the aforementioned non-recurring items are excluded.

(iv) Investments

Throughout the year, the La Française de l'Énergie Group continued to invest in three areas of development:

- In Lorraine, production tests and the certification of new reserves have increased the expenditure on the Bleue Lorraine licence to €814K: the Group also filed the application for a concession of the same name in November 2018, following the new certification of reserves carried out by MHA Petroleum, an American coal-gas specialist.
- In the Hauts-de-France region, Gazonor has invested over 1.3 million euros, notably to make its Avion site more reliable and to install three new Siemens electric motors.
- Finally, in Belgium, the Group's development accelerated after obtaining a licence to operate Anderlues in May 2018, with the start-up of two cogeneration units at the end of April 2019. As of 30 June 2019, total investments in equipment of almost 2 million euros have been made.

On the Balance Sheet, exploration assets reach a net worth of €44,699K (after accounting for depreciated items, including €1,385K in matching assets to the restoration provision), including €40,918K for the Bleue Lorraine permit.

Tangible assets, excluding mining rights, amounted to €9,166K at 30 June 2019, compared to €5,943K a year earlier, the Group's industrial tool allowing it more than ever to be in line with its growth and development objectives.

(v) Cash and Financing

The Group's net cash flow at 30 June 2019 stood at €1,165K, down €2,612K compared to 30 June 2018. This is due to two adverse effects over the period.

On the one hand, flows related to the Group's operating activities were clearly positive for the year, with a positive cash flow of €2,213K for the twelve months of FY19, compared to a decrease of €121K in the same previous period.

On the other hand, having more than compensated for this first effect, we note the need for financing from the other two flows:

- Investment-related flows, as explained above, were negative for the year at €4,118K, including a portion of the ReGaLor grant received, for €250K.
- Financing cash flows are also negative by €707K, related to the repayment of quarterly maturities on the BPI/Landesbank Saar loan for a total of €1,067K.

Over the 12-month period from 01 October 2019 to 30 September 2020, the Group's cash flow forecasts confirm the Group's ability to continue operating, meet its cash requirements and settle its debts on its Balance Sheet.

In terms of debt, the Group has a low ratio of financial debt to equity, standing at 25% at the end of June 2019 compared to 24.5% at the end of June 2018, leaving considerable room for financing its development.

The Group's current borrowings are presented as "Borrowings and Financial Debts" in the Annex to the Consolidated Financial Statements, as no new loans were taken out in the year ended 30 June 2019.

At the time of preparation of these Financial Statements, the Group is engaged in several discussions with potential banking partners in order to finance, particularly, the investments made and to come in the Hauts-de-France and in Belgium, including the three Siemens engines installed in Avion and the two cogenerations in production in Anderlues.

Finally, on 31 May 2019, La Française de l'Energie concluded a lease agreement with the LCL bank, covering land and a set of offices and warehouses in the municipality of Faulquemont, for a total of €940K.

This contract will have a term of 12 years from the date it comes into effect, at an interest rate of around 2.4% and the exercise of a €94K option to purchase at the end of the contract. As of 30 June, €237K in investments have been made, in works in progress, with the notarial deed of the contract still to be signed before the end of October 2019.

Based on these discussions and on past experience, the Group is optimistic about its ability to implement its development prospects, in particular the installation of additional cogenerations in Belgium and the Hauts-de-France and the launch of production of a certain volume of gas in Lorraine.

3.1.3 Significant events which occurred during the year

(i) Ineris study and ecological transition

A report funded by ADEME and prepared by the National Institute of Environment and Risks ("*Institut National de l'Environnement et des Risques*", or INERIS) was published on 08 January 2019, in which the INERIS assesses and quantifies methane emissions avoided through the activities of Gazonor. Indeed, these short-circuit recovery activities in the form of gas, electricity and heat prevent this gas from escaping into the atmosphere.

This report shows that the four sites currently in production allow the capture of over 602,000 tonnes of CO_{2eq} per year, corresponding to the CO₂ emissions of a city of 131,000 inhabitants, or 2% of the population of the Hauts-de-France region. In terms of equivalence, this contribution also corresponds to the annual CO₂-fixing capacity of 1,565 km² of forest, or nearly 1% of the Metropolitan France's wooded areas.

The objective of the Group is to continue its gas-recovery activity at its existing sites and throughout the Hauts-de-France basin, to eradicate the release of firedamp into the air and to continue its growth in Wallonia to further assert itself as a major player in the ecological transition in these two regions.

(ii) Installing new electric motors and making the Avion site more reliable

During the year ended on 30 June 2018, Gazonor's historic Avion site experienced repeated breakdowns in the gas engines installed in 1988 by Charbonnages de France; these engines drove the station's compressors and affected the production of gas as well as the production of green electricity, with an installed capacity of 3 MW at the site.

In order to avoid more breakdowns at its Avion site, the Group chose to invest in the reliability of its facilities by hiring the Devos Group to replace these gas engines with Siemens next-generation electric motors. The aim is to achieve a reliability similar to that displayed by the Jenbacher engines installed for the Group's electricity production, i.e. a minimum availability rate of 94%.

The first half of 2019 saw the installation and start-up of the first of these three engines at the end of November 2018, with a 60% increase in gas flow compared to the old thermal model, and lower electricity consumption than forecast.

The second engine went into production in January 2019, while the third engine is scheduled to start up by late 2019, with the compressor coupling operations requiring further overhaul.

These investments amounted to a total of more than 1.3 million euros.

(iii) Start-up of the Anderlues site – Belgium

In Belgium, Wallonia, on the Anderlues site, the Group has successfully completed the very quick installation of two cogeneration units of 1.5 MW each, with a production launch in late April 2019. Since then, through its local subsidiary, Gazonor Benelux, the Group has been selling electricity from mine gas to EDF Luminus, based on the same cogenerations as those installed in the Hauts-de-France region, with an availability rate of almost 95%.

The direct amount of these equipment investments amounted to almost 2 million euros at the end of June 2019, financed entirely in equity on that date.

The speed of this project was remarkable, with the Group obtaining the granting of the exclusive permit for the exploitation of combustible gas at the Anderlues site in May 2018, for an initial period of 20 years, becoming the Group's first international operational development.

Finally, in a report of 20 March 2019, the DMT agency certified the volume of reserves on this concession, thus confirming a potential of 277 million m³ in reserves (2P) to be developed, with a calorific value (CH₄ content) greater than 90%. On this basis, the Group's on-site operating subsidiary, Gazonor Benelux, will undertake a short-term recovery of this energy through short circuits in the form of gas, electricity and heat, this valuation being considered a solution that is both economically and ecologically competitive.

(iv) Continued production tests at the Lachambre well

During the year ended 30 June 2019, the Group continued the production test of the CBR-1 well at the Lachambre site in Lorraine, to refine its reservoir model, furthering the project's development plan. Continuous surface-gas production has been established, and the quality of the gas produced has been confirmed over these periods at more than 95% methane, with very few impurities. The Group is continuing its production testing phase in order to dehydrate the coal seam and determine the well's maximum production flow.

To best support it in these operations, the Group relied on a dedicated team of several global specialists in the appreciation and production of coal gas. On this basis, the Group is now able to analyse the maximum potential of the established well, based on the data collected, as well as the entire catchment and recovery area in order to present a complete development plan at the end of 2019, both in terms of technical and financial feasibility.

In connection with its activities and wells in Lorraine, during the first half of 2019, the Group received an initial payment of €250K accompanying its research work carried out as part of the REssources GAZières de LORraine project (REGALOR), with the support of the UMR UL-CNRS Georesources Laboratory, under the co-tutelage of the CNRS and the University of Lorraine (see also section 6.2 of this report), which falls within the State-Lorraine Region following the Regional Council's 2017 vote.

(v) Certification of reserves and Group's growth potential

La Française de l'Énergie has achieved a significant increase in its gas reserves in Lorraine following the November 2018 certification by MHA Petroleum Consultants, a world-renowned specialist in the certification of coal-gas resources.

Thus, 1P proven reserves, which refer to the quantities of gas whose chances of recovery and profitability are at least 90%, have increased 11-fold since the last certification, in 2016. These 1P reserves, the Group's real assets, now reach 1.78 billion m³ of gas.

2P likely reserves (2.14 billion m³) and 3P possible reserves (2.79 billion m³) also increased significantly, bringing the Group's new reserves in the Grand-Est to a total of 6.7 billion m³ of gas, a 122% increase of compared to 2016.

Above all, these reserves, which are all located within the perimeter covered by the concession filing of late November 2018, represent a net restated value of 161 million euros (1P-2P-3P reserves).

(vi) Application for Bleue Lorraine concession

Following the data obtained to date on the Lachambre production test and MHA's certification of proven reserves, on 28 November 2018, La Française de l'Énergie filed an application for a Bleue Lorraine concession with the Ministry of Ecological Transition and Solidarity ahead of the production of gas from Lorraine coals to 2040.

This concession covers an area of 191 km², including the wells of Lachambre, Folschviller and Tritteling, which demonstrated the Group's ability to continuously produce gas from coal seams.

3.1.4 Significant events since the close of the fiscal year

Following the proposal sent by La Française de l'Énergie as part of a hierarchical tax-audit appeal, an account was sent to the Company by the administration, dated 17 July 2019.

This report completely abandons a cause for redress relating to a material error related to the deferment of tax losses amounting to €1,702K (tax-loss carry-forwards). All other causes for redress are maintained, the appeal is proceeding insofar as the Company has requested an interview with the departmental interlocutor of the tax authorities while simultaneously informing the local tax commission; no date has yet been set.

The 2016 Research Tax Credit (*Crédit Impôt Recherche*) for La Française de l'Énergie was pre-financed in July 2019 for an amount of €286K, i.e. 91% of the amount of gross debt before the application of commissions and interest.

By decree of the Minister of Ecological and Solidarity Transition and the Minister of Economy and Finance dated 05 August 2019, the exclusive research permit known as the Valenciennois (Nord), has been extended until 24 October 2022 for Gazonor.

3.2 PRESENTATION OF THE COMPANY'S CORPORATE FINANCIAL STATEMENTS

The annual Financial Statements of La Française de l'Énergie for the year ended 30 June 2019, which we submit for your approval, were prepared in accordance with the rules of presentation and evaluation methods, in accordance with regulations of the Accounting Standards Authority No. 2014-03, dated 05 June 2014 relating to the General Chart of Accounts as well as by subsequent regulations amending certain articles.

These rules and methods are identical to those of the previous fiscal year, ended 30 June 2018.

The Company's annual Financial Statements for the year ended 30 June 2019, including the Balance Sheet, income statement and ancillary notes, appear in Section 8.1 of this report.

3.2.1 Income Statement

Fiscal year ended 30 June 2019	30 June 2019	30 June 2019
	€	€
Revenues		
Inventoried products/Capitalised production	-	-
Operating subsidies	-	-
Reversals of provisions and depreciation, transfers of expenses	10,193	16,012
Other revenues	685,700	889,732
Total operating revenues	695,893	905,744
Purchases of goods and raw materials	-	-
Inventory changes	-	-
Other purchases and external expenses	(1,260,608)	(1,021,822)
Taxes and similar levies	(22,436)	(26,785)
Wages and salaries	(768,197)	(1,009,328)
Social contributions	(269,870)	(422,714)
Depreciation and amortisation	(7,762)	(9,945)
Appropriations to provisions	-	(319,320)
Other expenses	(316,250)	(104,340)
Total operating expenses	(2,645,123)	(2,914,254)
Operating result	(1,949,230)	(2,008,510)
Provision write-backs and transfers of expenditures	6,092	-
Other financial revenues	2,557	1,871
Financial allocations for depreciation and amortisation	-	(874,636)
Other financial expenses	(183,456)	(89,254)
Financial result	(174,807)	(962,020)
Exceptional revenues	51,277	3,613,355
Exceptional expenses	(301,913)	(1,302,684)
Exceptional result	(250,637)	2,310,672
Employee profit-sharing	-	-
Income taxes	1,898,243	-
Net result	(476,430)	(659,858)

(i) Operating revenues

As noted in the “Significant events during the year” section of this report, the Company has not yet generated any turnover as of 30 June 2019, pending the start of production of projects in the Lorraine region.

As with last year, the other revenues correspond to the re-invoicing of services to the Group’s other operating entities, namely Gazonor (€512K) and Gazonor Benelux (€113K), the decrease observed between 2018 and 2019 being due mainly to the decrease in personnel costs supported and re-invoiced by La Française de l’Energie.

(ii) Operating expenses

Other purchases and external expenses were up 23% in FY2019 with an annual total of €1,261K compared to €1,022K for the previous year. This trend is linked in particular to study costs (on new

projects in progress and on strategic developments on the coal-gas project in the Lorraine region), consulting fees (including fees for the calculation of the Research Tax Credit), and banking services related to the new amendment to the Deltec Bank & Trust Shareholder loan.

Other charges were also up as a result of attendance fees (up €60K) and non-recoverable VAT for the year.

Personnel costs fell by 27%, with average staff numbers falling from 12.3 to 9.8 between 2018 and 2019. As of 30 June 2019, the Company's workforce amounts to 8 people.

The expense for allocation to provisions recorded for the year ended 30 June 2019 was nil, compared to €319K in the previous year. This charge essentially included depreciation for loss of value of exploration assets (intangible assets), for €220K and €74K, for exploration costs associated respectively with the Lons-le-Saulnier and Gardanne areas.

(iii) Financial result

As of 30 June 2019, the financial result consists almost entirely of interest expenses (mainly on Shareholder loans and advances from the Gazonor entity), which increased from €89K to €157K due to an increase in said advances.

In the previous year, a 100% impairment of the shares held in EG Lorraine (100% of the capital) had been recorded, amounting to €869K, on the basis of prospects over a foreseeable horizon which did not suggest profitability in the near future.

(iv) Exceptional result

The exceptional result was mainly due to the net losses recorded on the sale of shares under the liquidity contract of La Française de l'Énergie and the allocation to the provision for litigation (€172K) concerning the risk assessment of the current tax audit.

In the year ended 30 June 2018, the Company was granted two debt write-offs by EGL UK, for a total amount of €2,544K, which resulted in the loan between the two companies being fully liquidated at the end of FY18.

(v) Income tax

Two significant elements comprise the Company's income tax as of 30 June 2019:

- Research Tax Credits were valued and reported for calendar years 2015 to 2018, with the first three years benefiting from the possibility of an out-of-time deposit, for a total amount of €1,133K.
- On 01 July 2018, a new tax integration was introduced with La Française de l'Énergie as the leading tax-integration company, and Gazonor Holding, Gazonor, EG Lorraine and EG NPC in the integration scope. For FY19, the tax result of the integration group is negative (€1.860K), La Française de l'Énergie only recording the tax of the entity Gazonor for an amount of €765K (tax losses for the other members of the integration group).

As of 30 June 2019, La Française de l’Energie’s tax-loss carry-forwards amount to €4,508K in own deficits prior to the integration and €1,860K in deficits arising during the fiscal integration.

3.2.2 Balance sheet

As of 30 June 2019	Gross 30 June 2019	Depreciation, provisions	Net 30 June 2019	Net 30 June 2019
	€	€	€	€
Concessions, patents and similar rights	28,688	19,075	9,613	14,400
Other intangible assets	42,902,037	294,320	42,607,717	41,648,959
Plant and equipment	17,909	17,179	730	2,213
Other tangible assets	25,798	25,536	262	1,753
Current capital assets	236,862	-	236,862	-
Other investments	1,018,546	868,544	150,002	150,004
Receivables from equity interests	17,951,038	-	17,951,038	17,951,038
Other long-term investments	86,766	-	86,766	147,628
Other financial assets	10,558	-	10,558	12,158
Fixed assets	62,278,203	1,224,654	61,053,549	59,928,154
Inventories	-	-	-	-
Advances and prepayments on orders	550	-	550	46,110
Trade and related receivables	3,070,009	-	3,070,009	2,360,563
Other receivables	2,547,821	-	2,547,821	1,528,184
Liquid assets	369,150	-	369,150	638,323
Circulating assets	5,987,531	-	5,987,531	4,573,180
Prepaid expenses	107,810	-	107,810	240,489
Amortisation of issue costs	220,321	-	220,321	122,896
Total Assets	68,593,865	1,224,654	67,369,211	64,864,719

(i) Fixed Assets

Other intangible assets, consisting of all costs incurred for exploration and exploration drilling phases, increased by €959K over 2019, €814K as a result of the work carried out on the sites of the Lorraine Basin, including the costs associated with the filing of the Bleue Lorraine concession application, and €145K related to changes in the restatement assumptions used to calculate the restoration obligations of the sites used.

Excluding reclamation costs, fixed costs associated with the Bleue Lorraine licence amounted to €40.918K at 30 June 2019 compared to €40.105K a year earlier.

€237K in current capital assets relate to the construction of a building on the municipality of Faulquemont (57), which will be meant to house Company warehouses and offices starting in 2020, and whose associated leasing contract is to be signed at the end of October.

(ii) Circulating assets

Apart from an amount of €113K related to Gazonor Benelux, the Customer account consists entirely of receivables to be invoiced to Gazonor for, among other things, re-invoicing of services from 2019 and previous years.

The other receivables are mainly impacted by VAT-deductible items, €884K in CIR receivables, part of which was pre-financed (91% of the 2015 CIR), as well as the tax integration account with regard to the company Gazonor for a balance of €762K at 30 June 2019.

(iii) Cash

Cash and equivalents amounted to €369K at 30 June 2019, with the negative cash flow due to the Company's operating flows being offset primarily by advances by the Gazonor entity, and to a lesser extent by the pre-financing of the 2015 CIR (€245K) and a portion of the Grand-Est Region grant on the ReGaLor project (€250K).

As of 30 June 2019	30 June 2019	30 June 2019
	€	€
Social capital	5,150,659	5,065,174
Issue premiums	44,084,186	44,169,671
Legal reserve	105,762	105,762
Other reservations	72,142	72,142
Postpone again	(137,245)	522,613
Earnings for the year	(476,430)	(659,858)
Investment grants	250,000	250,000
Equity	49,049,074	49,525,504
Risk provisions	171,777	25,000
Expense provisions	1,404,245	1,240,629
Provisions for risks and expenses	1,576,022	1,265,629
Miscellaneous borrowings and financial debts	11,815,303	8,847,029
Supplier debts and related accounts	899,991	923,915
Tax and social debts	964,262	870,330
Capital debt and related accounts	2,962,289	3,352,921
Other debts	88,362	67,093
Debts	16,730,207	14,061,288
Passive conversion gap	13,907	12,298
Total Liabilities	67,369,211	64,864,719

(iv) Equity

The capital increase of €85K is the final allocation of the free shares granted to the beneficiaries of the first plan initiated on 30 June 2016, following the Board's conclusion on 29 October 2018 that objectives had been attained by incorporating issue premiums.

Apart from the allocation of the 2018 tax-loss carry-forward (postpone again), no other changes impacted equity for the year ended 30 June 2019.

(v) Provisions

Provisions consist on the one hand of €1,404K in provisions for restoration, a €18k increase (accretion expense) and €145K (change of restatement assumptions) in FY19. The sites concerned are always the same, Folschviller, Tritteling, Lachambre and Pontpierre.

On the other hand, a provision for litigation was set up for €172K, related to the risk assessment in the resolution of the ongoing tax audit of the Company and covering the period from 01 July 2013 to 30 June 2017.

(vi) Debts

Miscellaneous borrowings and financial debts rose from €8,847K to €11,815K, and consist of the following as of 30 June 2019:

- Shareholder loan for €4,567K at year's end, taking into account the impacts of a new amendment concluded for the year, including a change in the maturity of 27 December 2019 in exchange for additional commissions (maturity of €750K under one year).
- Gazonor current account with a credit balance of €7,248K as of 30 June 2019, compared to a credit balance of €4,596K a year earlier.

Finally, trade payables, including capital suppliers, continued to be reduced, amounting to 3.9 million euros at 30 June 2019 compared to 4.3 million euros at the end of 2018. This balance at closing takes into account an amount of 2.5 million euros still open to the company Entrepose Drilling with which the Company is currently in dispute.

3.3 PRESENTATION OF THE GROUP'S CONSOLIDATED FINAL STATEMENTS

The Group's consolidated Financial Statements for the year ended 30 June 2019, which we submit for your review, were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the IASB and adopted by the European Union, and applicable on the closing date of 30 June 2019.

The Group's consolidated Financial Statements for the year ended 30 June 2019 appear in Section 9.1 of this report.

3.3.1 Consolidated Income Statement

Fiscal year ended 30 June 2019	30 June 2019	30 June 2019
	€	€
Turnover	7,913,715	6,650,531
Other operating revenues	1,233,546	125,627
Cost of goods and services sold	(3,512,893)	(3,973,246)
Other administrative and operational expenses	(3,534,694)	(4,352,938)
Other revenues/(expenses)	303,531	(48,428)
Net allocations on provisions	(127,766)	874,320
EBITDA	2,275,439	(724,133)
Depreciation and amortisation	(878,735)	(2,055,846)
Operating income	1,396,705	(2,779,979)
Financial products	-	12,298
Cost of gross financial indebtedness	(496,805)	(386,868)
Other financial expenses	(21,443)	(54,391)
Earnings before taxes	878,456	(3,208,941)
Current and deferred taxes	(37,152)	1,937,011
Net income	841,304	(1,271,930)
Net income, Group share	841,304	(1,271,930)
Net income, interest share not giving control	-	-
<i>Earnings per share</i>		
- Basic earnings per share	0.16	-0.25
- Diluted earnings per share	0.16	-0.25

(i) Turnover/Other operating products

Turnover was 19% higher than in the year ended 30 June 2018, consisting of €3,017K in gas sales and €4,897K in electricity sales, of which €126K in Belgium (Walloon region, Anderlues site).

As noted in section 3.1 of this report, this increase is largely related to the reliability of the historic site of Avion (Gazonor), which has significantly increased the quantities of gas delivered during the second half of 2019. Also regarding gas, the price effect positively impacted the fiscal year with an additional €288K in revenues, compared to 2018.

Finally, with regard to electricity sales, the Group was able to rely during the year on the 6 cogenerations in production in the Hauts-de-France and on 2 new cogenerations in production in Belgium since the end of April 2019.

The other revenues are mainly made up of research tax credit as mentioned in the analysis of the corporate Financial Statements of La Française de l'Énergie above, about €30K also coming from the Gazonor entity.

(ii) Operating expenses

Most of the Group's operating expenses come from energy expenditure, i.e. electricity and natural gas, for a total of €1,419K at 30 June 2019 compared to €1,708K in the previous year. To be specific, electricity costs rose sharply, from €504K to €1,180K, as a result of the introduction of the new Siemens engines at the Avion site, while natural-gas purchases fell by 81% (impact of production problems in 2018 and old gas engines changed later this year).

On the other hand, these expenses are also related to personnel expenses, accounting for €1,811K in 2019 compared to €2,847K in the previous year. This decrease is due to the accounting of free shares according to IFRS 2, amounting to €934K compared to €133K this year, due to the final allocation of the first plan, and the rationalisation of the workforce between 2018 and 2019.

Other revenues came mainly from reimbursements obtained from electricity and gas taxes (TICFE and TICGN) paid since 2016 by Gazonor, which in the end were not payable. The share corresponding to previous years appears in other revenues.

The net allocations on provisions in 2019 relate to the majority of the provisions for litigation, as FY18 was strongly impacted by a resumption of provision for major revisions (€785K) and site reclamation (€239K).

Finally, depreciation for the year ended 30 June 2019 represents the expected normal level of amortisation on industrial assets and mineral reserves. FY18 was impacted by asset write-downs and outflows, particularly related to permits in the Lons-le-Saulnier, Gardanne and NPC (La Française de l'Energie) zones.

(iii) Financial result

This year, almost all of the financial result is related to the Group's cost of debt – €497K (BPI/SaarLB loan, Cap3Ri convertible bonds, Deltec Bank & Trust Shareholder loan), which increased as many financings began in the second half of FY18.

In 2018, an amount of €180K was explained by an accretion expense of the EGL UK loan, calculated during the year on the basis of a market rate against a real rate of 0%. This loan had been completely written off as of 30 June 2018.

(iv) Current and deferred taxes

The current tax charge is almost zero at 30 June 2019, i.e. €5K, the same level as last year (contribution in Luxembourg).

The deferred tax expense reached €32K, the positive change being notably related to the increase in IDA recognized on deferred deficits (including +€104K on deficits of Gazonor Benelux, +€335K on deficits of La Française de l'Energie, including the fiscal integration, and -€197K in Gazonor Holding deficits).

3.3.2 Consolidated Balance Sheet

As of 30 June 2019	30 June 2019	30 June 2019
	€	€
ASSETS		
Exploration assets	44,699,487	43,740,729
Other intangible assets	9,613	14,400
Proven mining rights	24,972,299	24,966,162
Other tangible assets	9,165,724	5,943,240
Non-current financial assets	912,069	924,256
Deferred tax assets	1,295,155	1,290,516
Non-current assets	81,054,347	76,879,303
Inventories	321,145	284,590
Trade and related receivables	1,134,882	888,646
Other current assets	2,526,357	2,040,477
Prepaid and deferred expenses	191,114	348,788
Cash and cash equivalents	1,165,151	3,776,781
Current assets	5,338,651	7,339,282
Total Assets	86,392,998	84,218,585
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	5,150,659	5,065,174
Share premium reserve	44,084,186	44,169,671
Other reserves	4,122,318	5,294,132
Net income, Group's share	841,304	(1,271,930)
Other equity items	4,011	6,574
Minority interests not giving control	-	-
Shareholders' Equity	54,202,479	53,263,621
Non-current financial debt	11,015,558	12,394,938
Non-current provisions	4,251,116	3,708,850
Deferred tax liabilities	6,340,264	6,262,540
Other non-current liabilities	284,125	260,095
Non-current liabilities	21,891,064	22,626,423
Current financial debt	2,479,505	1,155,955
Current provisions	243,548	133,082
Trade and related payables	2,432,030	2,464,083
Fixed-asset suppliers	3,778,281	3,584,698
Other current liabilities	1,366,091	990,723
Current liabilities	10,299,456	8,328,541
Total Shareholders' Equity and Liabilities	86,392,998	84,218,585

(i) Non-current assets

Excluding changes in exploration assets, already commented on in the corporate Financial Statements of La Française de l'Énergie, there was a sharp increase in other tangible assets, which rose in net worth from €5.943K to €9,166K under a double effect:

- On the Avion site, Gazonor has installed three new Siemens/Devos engines, two of which have already been put into service as of 30 June 2019, for a total investment of nearly 1.3 million euros.

- In Belgium, Gazonor Benelux recorded capital assets of €1,916K for equipment installed at the Anderlues site, i.e. two co-generations of electricity generation from mine gas and their incidental costs, for a start of production and depreciation at the end of April 2019.

€24,766K in mining rights correspond to the net value of reserves at the Hauts-de-France sites (value linked to the allocation of the acquisition price of Gazonor by La Française de l'Énergie) and €206K to the matching assets for provisions for reclamation at the Anderlues site.

(ii) Current assets

Trade receivables consist almost entirely of the June 2019 invoices issued to Total Gas & Power customers, EDF Obligations d'Achats, and EDF Luminus as of 30 June 2019.

Other receivables relate mainly to deductible VAT receivables and to corporate and tax claims, including a debt of 1.2 million euros related to Research Tax Credits.

Explanations for changes in net cash are given in part 3.3.3 of this report.

(iii) Equity

Excluding net income for the year, the change in consolidated equity was due in particular to the accounting of the charge related to the two outstanding free-share plans, namely the plans initiated on 30 June 2017 and 09 July 2018, for a total of €133K recognized for the year ended 30 June 2019, compared to a total of €934K in the previous year.

(iv) Non-current liabilities

Over half of non-current liabilities, at over one year, consist of financial debts, i.e. €3,167K related to the bond issued in 2018 by Gazonor Holding to Cap3Ri, €3,818K related to the Deltec Bank & Trust Shareholder loan (share over one year) and €4,267K related to the BPI/SaarLB loan underwritten in May 2018 by Gazonor, maturing in May 2024.

Non-current provisions can be explained by provisions for refurbishment in Lorraine (€1,404K) in the Hauts-de-France region (€2,616K) and Belgium (€207K). Excluding the impact of Belgium, the increase observed in 2019 was due to changes in discount assumptions, and in particular the discount rate from 1.45% to 0.77% in one year.

(v) Current liabilities

The current financial debt relates to a large extent of the share under one year BPI/SaarLB loan for €1,067K, excluding accrued interests, as well as the amount of €750K, to be repaid before 30 June 2020 under the Shareholder loan.

Trade payables rose slightly at the Group level, by almost 0.2 million euros, mainly in connection with investments made in Belgium and the Hauts-de-France, much of it in the second half of the year.

3.3.3 Consolidated Cash Flows

Fiscal year ended 30 June 2019	30 June 2019	30 June 2019
	€	€
Operating activities		
Consolidated net income	841,304	(1,271,930)
Tax expense and deferred-tax changes	37,152	(1,937,011)
Net depreciation and impairment of intangible and tangible fixed assets	878,735	2,055,846
Net allocations on provisions	178,203	(863,400)
Capital gains/losses on asset disposals	-	33,935
Change in operating working capital requirement	(170,479)	(399,248)
Change in WCR – Other assets and liabilities	(310,131)	944,832
Expense related to free stock award plan	133,367	933,766
Cost of gross long-term debt	496,805	386,868
Taxes paid	(4,815)	(4,815)
Other non-monetary items	133,277	-
CASH FLOWS FROM OPERATING ACTIVITIES	2,213,418	(121,157)
Investment activities		
Capitalised exploration costs	(813,617)	(959,886)
Tangible and intangible investments	(3,598,270)	(692,265)
Proceeds from disposal of tangible and intangible assets	9,000	5,000
Change in fixed-asset supplier debts	193,583	(5,021,150)
Subsidies received from investments activities	250,000	-
Acquisition of financial assets	(175,000)	-
Disposal of financial assets	16,273	4,256
CASH FLOWS FROM INVESTMENT ACTIVITIES	(4,118,031)	(6,664,045)
Financing activities		
Bond subscription	-	3,000,010
Borrowings and financial debts (excluding fees)	14,625	6,899,894
Repayment of loans and financial debts	(1,066,668)	(13,488)
Other current financial debts	656,024	-
Cost of net debt: interests paid	(310,915)	-
Charges paid on loans	-	(115,000)
CASH FLOWS FROM FINANCING ACTIVITIES	(706,934)	9,771,416
NET CHANGE IN CASH FLOWS	(2,611,547)	2,986,214
Net cash and cash equivalents at beginning of the period	3,776,231	790,017
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,164,684	3,776,231

Operating cash flows, which were weakly impacted by developments in the WFR, came largely from the Gazonor entity, which generated 98% of the Group's turnover in 2019. The strong improvement in performance is to be linked to the increase in turnover, combined with very good cost control and the absence of elements that negatively impacted production significantly, unlike in FY18.

This sharp increase in operating flows partially offset the cash requirements of the investment activities (exploration costs in Lorraine, investments at the Avion and Anderlues sites) and financing (repayment of the BPI/SaarLB loan for €1,067K in particular), for a net cash change of (€2,612K) in FY19.

3.4 FUTURE OUTLOOKS

For the La Française de l'Énergie Group, the challenge in the coming months is the acceleration of growth and profitability by combining the launch of new projects and mastery of execution.

By remaining positioned on its core business, the capture and recovery of green energy or recovery sources in short circuits, the Group has the capacity to respond to three problems strongly present on the European continent: consumer purchasing power, reduction of carbon footprint and carbon emissions, energy independence.

For its current concessions in the Hauts-de-France region, the Group's strong objective is to deploy additional cogeneration units on the same model as the 9 MW installed in 2017. The identification of the most strategic installation sites and the sizing of the current installations should enable the rapid start-up of new units, with an additional potential of 30 MW by 2021.

As of 01 January 2021, the supply of energy from the municipality of Béthune, gas, electricity and heat, in partnership with Dalkia as part of a public-service delegation, should enable the Group to anchor even more on its settlement lands and to demonstrate the full value of its model.

In Belgium, with its rapid development at its Anderlues site, with the production of two cogenerations less than a year after obtaining the operating permit (sale of electricity on the basis of the market price since April 2019), the Group wishes to capitalise on this very good dynamic by studying the installation of new similar units on this site as well as the supply of gas directly in the network.

In addition, new concessions are being considered, in an extremely buoyant market in need of domestic energy production. By 2021, La Française de l'Énergie should have installed and commissioned four new cogenerations.

Also internationally, the Group continues to evaluate external growth assumptions, particularly in Poland and Germany, in order to take advantage of the development and consolidation opportunities currently available in markets with synergies with its activities.

In the Lorraine territory, on the strength of the concession application filed at the end of November 2018 and the potential confirmed by the recent certification of gas reserves, the Group still aims for a rapid development of its activity of upgrading coal gas in short circuits. In order to refine this development plan and validate the means necessary to guarantee its technical feasibility and financial support, the Group relied on the conclusions reached in September 2019 by a task force made up of recognized experts in this field (former Shell and BG in particular). On this basis, the Group is also finalizing the project's financing plan with the implementation of an optimized solution without Shareholder dilution and will present, in early January 2020, the details of its development plan in Lorraine as well as the financing associated with this project. This very encouraging operational validation confirms the Group's expertise in engineering and development of coal-fired gas projects.

Finally, and in the recent context of lower gas prices, the Group wants to extend the use of its energy producer know-how to the implementation of short circuits for local energy recovery on other projects such as solar thermal, photovoltaic or biogas in order to optimize the use of its land assets, especially in the Grand-Est, in partnership with recognized players in these sectors.

To meet this outlook, the Group relies on its current capacity to generate operational cash flow, but it is also working to secure new non-dilutive financing in line with the various developments mentioned.

4. CORPORATE GOVERNMENT

Preliminary notes

In accordance with Order No. 2017-1162 of 12 July 2017 and Decree No. 2017-1174 of 18 July 2017, applicable to the fiscal year underway as of 01 January 2017, a report on corporate governance, established by the Board of Directors, replaced the Chairman's report on internal control and risk management.

In limited companies with a Board of Directors, the information required for this report can be presented in a specific section of the management report. This section covers all the information required in the corporate governance report.

Key Governance Developments During the Fiscal Year

Nil.

4.1 MiddleNext ENTREPRISE GOVERNMENT CODE

Since the admission of its shares on Euronext Paris, the Company refers to the MiddleNext corporate governance code for average values, as amended in September 2016 (the "**MiddleNext Code**").

4.2 LACK OF CONTROL OVER THE COMPANY

To the Company's knowledge, as of 30 June 2019, none of the Company's shareholders had direct or indirect control of the Company, whether jointly or not, as understood by Articles L. 233.3 and following of the Commerce Code.

4.3 CUMULATIVE DUTIES CHAIRMAN AND CEO

Under legal and regulatory provisions (Articles L. 225-51 and L. 225-51-1 of the Commerce Code), the Chairman and CEO of the Company has held the positions of Chairman of the Board of Directors and General Manager since 23 March 2016.

Since 23 March 2016, General Management has been assisted by a Managing Director, Mr Antoine Forcinal.

The Internal Regulations of the Board of Directors specify the respective competences of the Board of Directors and the CEO by providing limits to the latter's power.

4.4 PREPARATION AND ORGANISATION OF BOARD OF DIRECTORS

4.4.1 Information and Board Meetings

The Board of Directors met 5 times during the year, on the following dates: 16 October 2018, 29 October 2018, 15 March 2019, 12 June 2019, 27 June 2019.

The average annual attendance rate for Directors at meetings held during the year is 87%. For each Director, the attendance rate is shown in the following table:

ADMINISTRATORS	ATTENDANCE RATE
Mr Julien Moulin	100%
Mr Antoine Forcinal	100%
Mr Jean Fontourcy	100%
Mr Christophe Charlier	80%
Mr Alain Liger	80%
Ms Cécile Maisonneuve	60%

4.4.2 Appointment and duration of Directors' terms

The members of the Board are appointed by the Shareholders' Assembly, on the proposal of the Board, which itself receives the proposals of the Appointments and Compensation Committee. Board members may be removed at any time by decision of the General Assembly.

In accordance with the Middlesbrough Code and Article L. 225-18 of the Commerce Code, Section 12 of the Company's statutes provides that the term of directors is for a period of 6 years. This duration is adapted to the specifics of the Company's activity, which implies a high qualification in the mining sector and therefore a long-term cooperation.

4.5 COMPOSITION OF THE BOARD OF DIRECTORS

As of 30 June 2019, the composition of the Board of Directors is as follows:

Last and first names (Date of birth, nationality)	Appointment date and term of mandate	Positions in the Group	Other mandates and positions held outside the Group over the past five years
<i>Directors</i>			
Mr Julien Moulin (Born 12 December 1977, French national)	<u>Appointed:</u> 23 March 2016 <u>Term:</u> Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021.	<ul style="list-style-type: none"> - Chairman and CEO of the Company; - Chairman of EG Lorraine SAS; - Chairman of EG NPC SAS; - Chairman of Gazonor SAS; - Chairman of Gazonor Benelux SA; 	<ul style="list-style-type: none"> - Director of Maoming SPV; - Director of Nextgen Energy Limited; - Director of European Gas Limited; - Director of Maoming Investment Manager Ltd (until 2016); - Director of Maoming Investment Advisors Ltd (until 2016);

Last and first names (Date of birth, nationality)	Appointment date and term of mandate	Positions in the Group	Other mandates and positions held outside the Group over the past five years
		<ul style="list-style-type: none"> - Chairman of the Board, director of LFDE International SA; - LFDE-I representative as Chairman of Gazonor Holding SAS. 	<ul style="list-style-type: none"> - Director of Toros Resources Limited (until 2016);
<p>Mr Antoine Forcinal (Born 10 March 1982, French national)</p>	<p><u>Appointed:</u> 23 March 2016 <u>Term:</u> Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2023. <u>Appointment as Director, General Assembly, 22 December 2017</u></p>	<ul style="list-style-type: none"> - Associate CEO, Director of the Company; - Managing Director of Gazonor SAS; - Director of Gazonor Benelux; - Managing Director of Gazonor Holding; - Director of LFDE International; - Managing director of Concorde Energie Paris EURL. 	<ul style="list-style-type: none"> - Deputy Managing Director of Foxtrot International (Republic of Côte d'Ivoire) (until 2015);
<p>Mr Jean Fontourcy (Born 21 November 1938, French national)</p>	<p><u>Appointed:</u> 23 March 2016 <u>Term:</u> Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021.</p>	<ul style="list-style-type: none"> - Director of the Board of Directors and Chairman of the Compensation Committee 	<ul style="list-style-type: none"> - Chairman of the Board of Financière de Rosario SA; - Member of the supervisory board of EPEE SAS; - Member of the supervisory board of Naxicab SAS;
Independent administrators			
<p>Mr Christophe Charlier (Born 24 April 1972, French national)</p>	<p><u>Appointed:</u> 23 March 2016 <u>Term:</u> Annual General Assembly ruling on the Financial Statements for</p>	<ul style="list-style-type: none"> - Director of the Board of Directors and Chairman of the Audit and Accounts Committee 	<ul style="list-style-type: none"> - Chairman of Renaissance Capital - Chairman of Pure Grass Films;

Last and first names (Date of birth, nationality)	Appointment date and term of mandate	Positions in the Group	Other mandates and positions held outside the Group over the past five years
	the year ended 30 June 2021.		<ul style="list-style-type: none"> - Administrator of Barclays Center (until Sept. 2019); - Director of the Brooklyn Nets (until April 2018); - Chairman of LeCastle's Board of Directors (until 2015); - Director of UC Rusal (until 2014); - Director of Ukrainian Agrarian Investments (until 2014); - Chairman of the Board of Directors of the Brooklyn Nets (until 2014); - Administrator of Quadra Power Generation (until 2014); - Director of Renaissance Capital (until 2014);
Mr Alain Liger <i>(Born 12 February 1951, French national)</i>	<u>Appointed:</u> 23 March 2016 <u>Term:</u> Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021.	- Administrator	<ul style="list-style-type: none"> - Director-General of Tungstène du Narbonnais SAS (since July 2018); - Member of the General Council on the Economy, Ministry of Economy and Finance (2013-2016).
Ms Cécile Maisonneuve <i>(Born 23 July 1971, French national)</i>	<u>Appointed:</u> 23 March 2016 <u>Term:</u> Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021.	- Administrator	<ul style="list-style-type: none"> - Member of the Board of Directors of the Le Corbusier Foundation; - Chairman of La Fabrique de la Cité; - Member of the supervisory board of The European TK/Blue Agency ETKBA SAS.
<i>Mr Julien Moulin has also been Chairman of the Company since November 2013, in its corporate form of simplified share company.</i>			

4.6 DIVERSITY POLICY AND REPRESENTATION IN THE BOARD OF DIRECTORS

The law of 27 January 2011 provides for a balanced representation of women and men on the Board of Directors, principle confirmed by the Pacte law (*loi Pacte*) of 22 May 2019.

Due to its recent listing, the Company was unable to meet this obligation in the year ended 30 June 2019.

Nevertheless, the Appointments and Compensation Committee has worked on the selection of candidates for the Company's directorships and their appointments, and a balanced representation of women and men on the Board of Directors is to be included in the agenda at an upcoming General Assembly of the Group.

4.7 DIRECTOR SELECTION CRITERIA

The Appointments and Compensation Committee advises the Board on the selection of candidates in order to renew the mandate of directors on the basis of the following criteria: management skills acquired in major French and foreign international companies, familiarity with the Company and its industry, professional experience, financial and accounting expertise and sufficient availability.

4.8 INDEPENDENCE OF DIRECTORS

4.8.1 *Directors' independence criteria*

Under the Board's regulations that set out the criteria for directors' independence in accordance with the recommendations of the MiddleNext Code, a director is considered independent if that person:

- Is not an employee or Corporate Agent of the Company or a Company of the Group and has not been over the last five years;
- Is not and has not been in the last two years in any significant business relationship with the Company or its Group (customer, supplier, competitor, creditor, banker, etc.);
- Is not a reference Shareholder of the Company and does not hold a significant percentage of its voting rights;
- Does not have a close family relationship with a Corporate Agent or a reference Shareholder of the Company;
- Has not been an auditor for the Company for the past six years.

These criteria are assessed and weighted by the Board, which may decide that a director, not meeting the criteria set out in the internal regulation, can still be classified as independent in light of his or her particular situation or that of the Company, in view of his shareholding, or for any other reason, and vice versa.

4.8.2 *Assessing the independence of Directors*

According to the MiddleNext Code, it is recommended that at least two board members be independent.

After hearing the opinion of the Appointments and Compensation Committee, in accordance with the MiddleNext Code's independence criteria, the Board conducted a review of the independence of Directors and considered that three of the five Board members were Mr Christophe Charlier, Mr Alain Liger and Ms Cécile Maisonneuve.

4.9 MISSION OF THE BOARD OF DIRECTORS

In accordance with the law, the Board determines the direction of the Company's activities and ensures their implementation. Subject to the powers expressly assigned to Shareholders' Assemblies and within the limits of the social purpose, the Board has the power to consider all matters relating to the proper functioning of the Company and, through its deliberations, regulate the affairs that concern it.

In addition to the powers available to the Board in accordance with the law, its internal regulations, as an internal rule, make certain significant decisions of the CEO conditional on the prior authorisation of the Board of Directors.

4.10 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board organises and directs the work of the Board, which he reports to the General Assembly of Shareholders. The Chairman is in charge of the report on the organisation of the Board's work, internal control and risk management. The Chairman of the Board presides over the General Assemblies of Shareholders.

In general, the Chairman ensures the proper functioning of corporate bodies and respects the principles and practices of corporate governance, particularly with regard to the committees created by the Board. He ensures that directors are able to carry out their mission and ensures their good information. He devotes the necessary time to issues of interest to the future of the Group, and in particular those relating to its strategy.

In accordance with the Board's internal regulations, directors are required to immediately report to the Chairman and the Board any conflict of interest, even potential ones, as well as any draft agreement that might be concluded by the Company and in which they are or might be directly or indirectly interested.

The Chairman of the Board presides over Board meetings and prepares and coordinates its work. As such, he:

- Convenes the Board to meetings, depending on the schedule of meetings agreed with the directors, and decides whether to convene the Board at any other time if necessary;
- Prepares the agenda, oversees the constitution of the Board's file and ensures the completeness of the information contained in it;
- Ensures that certain topics are discussed by committees in preparation for Board meetings, and ensures they are a source of proposals for the Board;
- Animates and leads the Board's debates;
- Ensures the Directors' compliance with the stipulations of the internal regulations of the Board and committees;
- Follows up on the Board's decisions;
- Prepares and organises, in conjunction with the Appointments and Compensation Committee, the Board's periodic evaluation work.

The Chairman may promote the Company, particularly with the public authorities, major clients, investors and partners, both in France and abroad. As the Board’s main interlocutor with dominant Shareholders, the Chairman communicates Shareholders’ views and concerns to the Board. The Chairman aspires to promote the values and image of the Company in all circumstances, and communicates with third parties on behalf of the Board unless a specific mandate is given to another director.

4.11 BOARD OF DIRECTORS’ COMMITTEES

4.11.1 The Accounts and Audit Committee

(i) The Committee’s operations and membership

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board at least four times a year to review the periodic and annual Financial Statements before they are submitted to the Board. The Committee met five times in FY19 on the following dates: 09 July 2018, 26 October 2018, 30 January 2019, 15 March 2019, 27 June 2019.

The Accounts and Audit Committee consists of three to five board-appointed members as directors on the recommendation of the Compensation and Appointments Committee. Its Chairman is appointed by the Board.

By decision of the Board of Directors of 23 March 2016, following the transformation of the Company into a limited company, Mr Christophe Charlier was appointed chairman of the Accounts and Audit Committee and Mr Julien Moulin and Mr Jean Fontourcy as members of the Committee.

In accordance with Article L. 823-19 of the Commerce Code and the Internal Regulations of the Accounts and Audit Committee, its members must be selected on the basis of their financial or accounting competence, and at least one member of the Committee must have specific accounting or financial expertise and be independent under the criteria detailed in the Board’s internal regulations.

For each member of the Accounts and Audit Committee, the attendance rate is shown in the following table:

NAME	ATTENDANCE RATE
Mr Christophe Charlier	100%
Mr Julien Moulin	80%
Mr Jean Fontourcy	100%

As part of its mission, the Accounts and Audit Committee conducts a regular dialogue with the Company’s auditors, who participate in meetings of the Accounts and Audit Committee during the review of the half-yearly and annual Financial Statements before they are issued by the Board of Directors.

(ii) Committee functions

In particular, the Committee’s mission is to discuss with the auditors the relevance and permanence of the accounting methods adopted for the establishment of consolidated or corporate Financial

Statements, and to give an opinion on the draft corporate and consolidated, half-yearly and annual Financial Statements prepared by General Management before their presentation to the Board.

The Committee reviews the auditors' response plan once a year, and, if requested by the Committee, the auditors and the finance, accounting and treasury officers will oversee the selection of auditors and provides an opinion on the amount of fees sought for the exercise of legal control missions.

With the exception of those provided for by law or other regulatory text, the Committee gives its prior approval for the carrying out by auditors of work other than the certification of accounts, such as acquisition audits, and ensures that these missions do not interfere with their independence and in particular that they do not fall within the scope of missions prohibited by the Commerce Code. The Committee is informed of the fees paid by the Company and its Group to the firm and the network of auditors and ensures that their amount or share in the turnover of the firm and the network and in relation to the fees collected for the auditing mission are not such as would impair the independence of the auditors.

(iii) Committee activities

The main work done by the Accounts and Audit Committee in the fiscal year ended 30 June 2019 was:

- Review of the Group's financial situation;
- Review of annual and half-year Financial Statements;
- Review of candidacies to the call to renew the mandate of one of the incumbent auditors expiring at the end of the General Assembly, which will rule on the Financial Statements for the fiscal year ended on 30 June 2019 (EY). In particular, the Committee was made aware of the written proposals made by the various applicant firms and was able to conduct one-on-one interviews with them.

4.11.2 The Appointments and Compensation Committee

(iv) The Committee's operations and membership

The Appointments and Compensation Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board. It held two meetings in FY19.

It follows from its internal regulations that the Appointments and Compensation Committee is composed of three to five members, appointed by the Board, on the proposal of the Appointments and Compensation Committee. Members of the Appointments and Compensation Committee are selected from non-executive positions. The Chairman of the Committee is appointed by the Board on the recommendation of the Appointments and Compensation Committee.

By decision of the Board of Directors of 23 March 2016, following the transformation of the Company into a limited company, Mr Jean Fontourcy was appointed Chairman of the Committee and Mr Alain Liger and Ms Cécile Maisonneuve members of the Committee.

For each member of the Appointments and Compensation Committee, the attendance rate is shown in the following table:

Name	ATTENDANCE RATE
Mr Jean Fontourcy	100%
Mr Alain Liger	100%
Ms Cécile Maisonneuve	0%

(v) Committee functions

One of the Committee's missions is to study and make proposals on the compensation of Corporate Agents, Board members. It proposes to the Board a total amount for the attendance fees of the Board members which will be proposed at the General Assembly of the Company. The Committee gives the Board an opinion on the general policy for granting free shares established by the Group's management. It indicates to the Board its proposal by setting out the reasons for and consequences of its choice.

The Committee is informed of the compensation policy of the Company's principal non-corporate officers and other companies in the Group and considers any questions submitted to it by the Chairman and related to the above issues, as well as to plans for capital increases reserved for employees.

The Committee may call on the advice of a company that specialises in executive compensations.

(vi) Committee activities

The main work done by the Appointments and Compensation Committee in the fiscal year ended 30 June 2019 was:

- the amount of compensation of Mr Julien Moulin and Mr Antoine Forcinal;
- the distribution of attendance fees among the members of the Board of Directors;
- the allocation of free shares to the Group's employees and managers.

4.12 ATTENDANCE FEES PAID TO BOARD OF DIRECTORS MEMBERS

In accordance with legal provisions, information is provided on the total amount of compensation paid to members of the Company's corporate bodies in the year ended 30 June 2019 (See annexes to the consolidated Financial Statements for further information).

The draft resolutions decided by the Company's Board of Directors, which will be submitted for approval by the General Assembly on 29 November 2019, do not provide for changes to the amount of the attendance fees.

The Company's joint General Assembly of 23 March 2016 decided, in its twenty-first resolution, to grant the Directors a package of attendance fees amounting to €250,000 per year.

Following the opinion of the Appointments and Compensation Committee dated 09 July 2018, which followed the opinion already issued on 30 June 2017, the Board of Directors decided to distribute attendance fees among the Board members other than Mr Julien Moulin, as follows:

- €5,000 for each participation in one of the Board's quarterly sessions;
- €10,000 for the Chairman of the Accounts and Audit Committee;
- €10,000 for the Chairman of the Appointments and Compensation Committee;
- €5,000 for each member of these two Committees.

The tables below show the distribution of attendance fees paid and due to non-executive Corporate Agents for the years ended 30 June 2019 and 30 June 2018.

YEAR ENDED		30 June 2019		30 June 2018	
Non-executive corporate agents		Amounts owed	Amounts paid	Amounts owed	Amounts paid
Christophe Charlier <i>Administrator</i>	Attendance fees	€30,000	-	€30,000	-
	Other compensations				
Jean Fontourcy <i>Administrator</i>	Attendance fees	€40,000	-	€35,000	
	Other compensations				
Alain Liger <i>Administrator</i>	Attendance fees	€25,000	-	€30,000	
	Other compensations				
Cécile Maisonneuve <i>Administrator</i>	Attendance fees	€15,000	-	€20,000	-
	Other compensations				

4.13 INFORMATION CONCERNING THE COMPENSATION OF CORPORATE OFFICERS

This section is the report on the principles followed and criteria applied in determining, distributing and allocating fixed, variable and exceptional items that jointly comprise the total compensation and benefits of any kind attributable to officers because of their services under Article L. 225-37-2 of the Commerce Code. The General Assembly will be called upon to approve the compensation principles on the basis of this report.

It is specified that the payment of annual variable compensation items and long-term variable compensation items for executive Corporate Agents (Chairman and Managing Director) for FY19 is conditional on their approval by the General Assembly which will rule on the accounts for the year ended 30 June 2019.

4.13.1 General Compensation Principles

The Board of Directors, on the recommendation of the Appointments and Compensation Committee, defined general principles of the compensation policy of the CEO and major officers, and has evaluated the extent to which these policy criteria have been met.

The general principles of this compensation policy are to attract, retain, motivate high-level executives and align their interests with the creation of value for the Group, taking into account the Group's capital intensity, its high-tech environment, its long-term investment horizon, the challenges in terms of growth in a highly competitive environment and the very international nature of its sector of activity and the Group's vision.

The competitiveness of the compensation policy is assessed primarily in relation to French companies of comparable size (market capitalisation and turnover) and, when it is relevant, to comparable European companies.

4.13.2 Information about compensation due or allocated to Corporate Agents

(i) Compensation and benefits of any kind awarded to corporate executives

This table presents a summary of the compensation elements of corporate officers for the years ended 30 June 2018 and 30 June 2019.

YEAR ENDED	30 June 2019	30 June 2018
Mr Julien Moulin, as Chairman and CEO of the Company		
Compensation due for the year*	€245,812	€245,812
Valuation of multi-year variable compensations awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of shares granted free of charge during the year***	-	-
Mr Antoine Forcinal, as Managing Director of the Company		
Compensation due for the year**	€262,750	€232,752
Valuation of multi-year variable compensations awarded during the year	-	-
Valuation of stock options granted during the year	-	-
Valuation of shares granted free of charge during the year***	€40,706	€41,946
Total	€549,268	€520,510

* Of these sums, €120,000 are owed under the service contracts described in paragraph 3.6.2.6 of this report.

** The Forbach apartment made available to Mr Forcinal, with a rental value of up to €1,000 per month, is not taken into account in this table.

*** The value of the allocation of free shares was determined by multiplying the unit value (based on the share price at the date of the grant) by the number of free shares granted to the executives.

Corporate officers received a gross total compensation (in salaries, bonuses and free shares granted) of €549,268 in the year ended 30 June 2019, compared to €520,510 in the year ended 30 June 2018. It should be noted that Mr Johannes Niemetz, as Chief Financial Officer and Corporate Agent, had received a gross compensation of €75,000 in the year ended 30 June 2018, of which €18,750 came under a service contract. He left the Group on 30 November 2017.

The following table shows the total gross compensation paid or due to executives for the years ended 30 June 2019 and 30 June 2018, including fixed and variable compensation paid or due by the Company for these years, in-kind benefits, and attendance fees.

YEAR ENDED	30 June 2019		30 June 2018	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Mr Julien Moulin, as Chairman and CEO of the Company				
Fixed pay	€120,000	€120,000	€120,000	€120,000
Variable pay	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	-	€5,812	-	€5,812
Mr Antoine Forcinal, as Managing Director of the Company				
Fixed pay	-	€150,000	-	€135,000
Variable pay	€15,000	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	-	€97,750	-	€97,750
Total	€135,000	€373,562	€120,000	€358,562

Details on the compensation paid to corporate officers for related contracts are described in paragraph 4.15 of this report.

(ii) Compensation and benefits of any kind awarded to non-executive Corporate Agents

Information on these compensations and other benefits appears in section 4.12 of this report.

4.13.3 Free shares awarded

The joint General Shareholders' Assembly of 23 March 2016 approved the implementation of a plan for the allocation of free shares for the benefit of all or part of the Group's employees and executives. The total number of shares granted free of charge may not represent more than 5% of the Company's capital, with a face value of one euro per share, and the final grant of the free shares to the beneficiaries will be realised at the end of an acquisition period of at least two (2) years from the initial grant of free shares and under other conditions to be set out in the Plan Regulations.

On 30 June 2016 and 30 June 2017, the Board of Directors adopted the Plan Regulations set up in 2016 and determined the initial beneficiaries of the first and second plans based on the allocation presented in the following table. A third plan was implemented following advice from the Compensation Committee dated 09 July 2018.

As a reminder, if needed, the number of shares initially granted, as indicated above, does not necessarily correspond to the number of shares that will definitively be granted to the beneficiaries, as the final allocation of shares is subject to the presence and delivery of documents described in the Plan Regulations.

On 29 October 2018, the Board of Directors noted, in accordance with the plan's regulations, the final grant of 85,485 free shares to 9 employees (out of 85,601 shares initially granted to beneficiaries).

<u>Number of shares allocated</u>	<u>Free shares 30 June 2016</u>
Thomas Gueant	4,000
Ronan Segulier	3,578
Stéphanie Borraccia	2,619
Christophe Muller	3,628
Romain Chenillot	2,469
Sheik Nayamuth	4,467
Johannes Niemetz	19,834
Antoine Forcinal	20,000
Julien Moulin	24,890
Total, Free Shares granted	85,485

The distribution of the free shares granted as part of the two plans still in progress as of 30 June 2019 appears below, as well as their details per beneficiary:

<u>Free-Share Plans</u>	<u>Number of shares initially allocated</u>	<u>Number of shares as of 30 June 2019</u>	<u>Fair value (market price)</u>
30 June 2017	7,391	5,231	22
09 July 2018	8,420	8,080	16.5

<u>Number of shares granted</u>	<u>Free shares as of 09 July 2018</u>	<u>Free shares as of 30 June 2017</u>
Stéphanie Borraccia	915	235
Christophe Muller	418	131
Romain Chenillot	368	518
Fadi Nassif	375	-
Antoine Forcinal	2,467	1,898
Yann Fouant	1,489	1,612
Michael Vion	688	229
Anthony Delobbeau	737	362
Ludovic Brige	222	-
Sandra Kolodziejczak	92	88
Patrice Dubois	98	-
Guillaume Cheret	137	158
Jeremy Glasson	74	-
Julien Moulin	-	-
Total, Free shares granted	8,080	5,231

4.13.4 Specific compensation for executives and Corporate Agents

i) Mr Julien Moulin

A service contract was signed on 24 June 2015 between European Gas SAS, now La Française de l'Énergie, and Mr Julien Moulin, defining his duties as Chairman of the Company, his terms of compensation and the conditions and consequences of the end of his mandate.

Since 01 July 2016, and following the advice of the Compensation Committee, Mr Julien Moulin receives a gross annual compensation of €120,000, plus in-kind benefits amounting to €5,812.

At its 23 March 2016 meeting, the Board of Directors of La Française de l'Énergie decided to allocate to its Chairman and CEO an exceptional compensation of €250,000 before tax in the event of the success of the Company's IPO, and an additional amount of €250,000 before tax should funds raised exceed 20 million euros, plus related charges of €100,000.

As of 30 June 2019, the remaining balance of this exceptional compensation to be paid amounted to €45,000 after payment of €105,000 over the year, which amount does not appear in the tables presented in section 4.13.2 of this report.

Following the opinion of the Appointments and Compensations Committee dated 30 June 2017, the Board of Directors, at its meeting on the same day, after finding that Mr Julien Moulin does not have an employment contract with the Company and after taking into account the services rendered by Mr Julien Moulin to the Group since 2009, decided to authorise and approve the payment of severance pay in the event of his revocation of his mandate as Chairman and CEO of the Company.

This severance pay would be a gross amount equal to two (2) years of gross annual fixed compensation. It would be due in the event of the revocation of the mandate of Mr Julien Moulin's Chairman and CEO, except in the case of dismissal for gross or serious misconduct or in the event of the resignation of that mandate.

Under Article L. 225-42-1 of the Commerce Code, payment of this severance pay would be subject to the following performance conditions:

- the payment of half of the compensation would depend on the stock market performance of the Company's securities, and would only be due in the event that the average share price of the Company on Euronext Paris in the last three months prior to the dismissal of Mr Julien Moulin is less than 50% of the average price since the Completion of the Company's IPO;
- the payment of half of the compensation would depend on the Company's progress in its exploration and production activities, as these progress is measured and considered satisfactory if, in the six months prior to the revocation of Mr Julien Moulin, at least one of the following events occurred: (i) granting at least one new exclusive exploration permit or concession; (ii) start of gas production at one, at least, of the Group's drilling sites; (iii) development of electricity generation from the production of Gazonor.

ii) Mr Antoine Forcinal

On 01 November 2015, the Company and Mr Forcinal entered into an employment contract for the position of Director of Operations of the Company.

In accordance with this contract and with an amendment applicable as of 01 July 2018, Mr Forcinal receives (i) a fixed gross annual compensation of €150,000, and (ii) an impatriation bonus of €97,750 to compensate for the costs incurred by Mr Forcinal, who previously worked in Switzerland, due to his assignment in France and which will be paid until 31 December 2020. Should the Company terminate Mr Forcinal's employment contract from his position as a result of a change of control of the Company, Mr Forcinal will be justified in receiving a minimum severance pay of nine-months fixed gross compensation. A dwelling with a rental value of up to €1,000 per month is also made available to Mr Forcinal.

For the year ended 30 June 2019, Mr Antoine Forcinal also received a gross bonus of €15,000, not paid on that date.

4.13.5 Service contracts with corporate officers

i) Mr Julien Moulin – Service contract between NextGen NRJ Limited and LFDE International

Following the opinion of the Appointments and Compensation Committee dated 30 June 2017, the Board of Directors, at its meeting on the same day, decided to authorise and approve that LFDE International, the Luxembourg subsidiary of the Company in charge of the Group's international development, should sign a specific contract with the English law firm NextGen NRJ Limited, Mr Moulin's personal holding company, for the provision of these specific public-relations services, particularly at the European level, and for seeking financing within the community of international investors, particularly those based in London.

The terms of this agreement are:

- The services provided by NextGen NRJ Limited are twofold:
 - o public-relations services, with the service provider pledging to promote the Company's activities, in particular to the European Union authorities in charge of energy issues;
 - o external growth transactions and financing, with the provider committing, among other things, to provide the Company with its financial expertise in the preparation of future acquisitions and to promote the Company to the banks, investment funds and family offices.
- In return for these services, LFDE International pays NextGen NRJ Limited a monthly fee of €10,000, excluding taxes.

The Commission noted that these services require specific lobbying and financial expertise skills that are distinct from the broader skills provided by Mr Moulin for the Company's day-to-day management, and that NextGen NRJ Limited will be able to use experts other than Mr Julien Moulin to render these services.

With NextGen NRJ Limited granting exclusivity to the Company on these matters, it was agreed in return to pay NextGen NRJ Limited an amount equal to two years of advisory fees in the event of termination of the contract.

For the year ended 30 June 2019, the Group recorded a charge related to the benefits billed by NextGen NRJ Limited amounting to €120,000, excluding taxes. This brings the debt owed this company to €360,000 as of the same date, as no payment has been made under this heading since 02 July 2017.

4.14 OTHER BENEFITS

Company has granted no loans or guarantees to the Company's directors and officers.

4.15 INFORMATION ON THE COMPOSITION OF THE COMPANY'S CAPITAL

4.15.1 Distribution of the Company's capital

In accordance with the provisions of Article L. 233-13 of the Commerce Code, we indicate below the distribution of the Company's shareholding as of 30 June 2019, i.e. the percentage of ownership of the capital and voting rights:

<i>Major shareholders</i>	Number of shares	Theoretical voting rights	% of actual voting rights
		%	%
DELTEC BANK & TRUST	1,173,837	22.8%	15.8%
GINKGO HOLDINGS - DURR	573,343	11.1%	7.7%
J. MOULIN	381,696	7.4%	10.3%
EUROPEAN GAS LIMITED	366,572	7.1%	9.9%
FINANCIERE ARBEVEL	197,894	3.8%	2.7%
PORTZAMPARC GESTION	153,090	3.0%	2.1%
AMUNDI ASSET MANAGEMENT	112,520	2.2%	1.5%
KEREN FINANCE	108,860	2.1%	1.5%
FINANCIERE DE ROSARIO	91,955	1.8%	2.5%
FINANCIERE GABRIEL SA BELGIUM	54,052	1.0%	1.5%
Total, Major shareholders	3,213,819	62.4%	55.3%
Others (holdings < 1% of capital)	1,936,840	37.6%	44.7%
Total number of shares	5,150,659	100%	
Total number of voting rights	7,433,761		100%

4.15.2 Free-share plans

As recalled in section 4.13.3 of this report, the Joint General Shareholders' Assembly of 23 March 2016 approved the implementation of free-share assignment plans for all or part of the Group's employees and executives, and on 30 June 2016, 30 June 2017 and 09 July 2018, the Board of Directors adopted each free-share assignment plan and determined its initial beneficiaries as detailed in the aforementioned Section.

4.15.3 Capital Increase Delegations

The following table shows the delegations and financial authorities in effect as of 30 June 2019:

Nature of the authorisation	Date of GA (Resolution No.)	Duration and expiration	Amount allowed (nominal or %)	Use
Delegation of jurisdiction to the Board of Directors to decide on the issuance, maintaining the preferential subscription rights of shareholders, of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities that provide access to equity securities to be issued.	7 December 2018 (Resolution No. 11)	26 months	<ul style="list-style-type: none"> • Nominal amount of capital increases limited to 5 million euros; • Nominal amount debt securities limited to 5 million euros. 	
Delegation of jurisdiction to the Board of Directors to decide on the issuance, suppressing the preferential subscription rights of shareholders, by way of public offering, of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities that provide access to equity securities to be issued.	7 December 2018 (Resolution No. 12)	26 months	<ul style="list-style-type: none"> • Nominal amount of capital increases limited to 5 million euros; • Nominal amount debt securities limited to 5 million euros. 	
Delegation of jurisdiction to the Board of Directors to decide on the issuance, suppressing the preferential subscription rights of shareholders, by way of an offering, as covered by Article L. 411-2 II of the Monetary and Financial Code, of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities that provide access to equity securities to be issued.	7 December 2018 (Resolution No. 13)	26 months	<ul style="list-style-type: none"> • Nominal amount of capital increases limited to 5 million euros; • Nominal amount debt securities limited to 5 million euros. 	
Delegation of jurisdiction to the Board of Directors to increase the amount of issuances, maintaining or suppressing the preferential subscription rights of shareholders.	7 December 2018 (Resolution No. 14)	26 months	15% of the original issue amount.	

Nature of the authorisation	Date of GA (Resolution No.)	Duration and expiration	Amount allowed (nominal or %)	Use
Authorisation for the Board of Directors to set the price of issues of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities giving access to equity securities to be issued, made by public offering or by way of an offering, as covered by Article L. 411-2 II of the Monetary and Financial Code, suppressing the preferential subscription rights of shareholders, within a limit of 10% of equity per year.	7 December 2018 (Resolution No. 15)	26 months	10% of the share capital (on the day the issuance price is set by the Board of Directors), per 12-month period.	
Delegation of powers to the Board of Directors to decide whether to issue common shares or securities giving access to the Company's equity within a limit of 10% of share capital, suppressing the preferential subscription rights of shareholders, in compensation for in-kind contributions to the Company.	7 December 2018 (Resolution No. 16)	26 months	10% of the share capital (on the day of the Board of Directors' decision regarding the issue).	
Authorisation on the Board of Directors to increase the share capital by issuing equity securities or securities that are equity securities giving access to other equity securities of the Company or entitling to the allocation of securities, or of debt securities, or securities giving access to securities to be issued, suppressing the preferential subscription rights of shareholders in favour of members of a savings plan.	7 December 2018 (Resolution No. 17)	26 months	2% of the share capital (on the day of the Board of Directors' decision)	
Authorisation to the Board of Directors to reduce equity by cancelling Treasury shares	7 December 2018 (Resolution No. 10)	26 months	10% of existing capital on the day of cancellation by 24-month period	

Nature of the authorisation	Date of GA (Resolution No.)	Duration and expiration	Amount allowed (nominal or %)	Use
Delegation of jurisdiction to the Board of Directors to decide on an increase in share capital by incorporating bonuses, reserves, profits or others the capitalisation of which would be accepted	7 December 2018 (Resolution No. 18)	26 months	Limited to 5 million euros	
Authorisation for the Board of Directors to operate on the Company's shares	7 December 2018 (Resolution No. 9)	26 months	<ul style="list-style-type: none"> • Limited to 5 million euros; • Maximum number of shares the Company will be able to acquire is limited to 10% of the shares comprising the share capital (5% for shares acquired in the context of a merger, spin-off or contribution transaction); • Maximum buyback price per share set at €22 	

4.15.4 Evolution of the LFDE title

The IPO price was set at €27 per share by the Board of Directors as of 10 June 2016.

As of 30 June 2019, the Company's shares were traded at a value of €17.5, compared to €17 on 30 June 2018 on Euronext Paris' C compartment.

4.15.5 The Company's intervention on its securities

During the year ended 30 June 2019, the Company conducted transactions on its own shares as part of the liquidity agreement with Midcap Partners (Louis Capital Markets UK LLP) as an investment service provider. A new liquidity contract was set up on 15 March 2019 with the same service provider, under the same terms and conditions as the previous one.

As of 30 June 2019, the Company held 5,523 of its own shares, compared to 8,684 equity shares in 2018, i.e. less than approximately 0.1% of the share capital, acquired at an average cost price of €15.71 (2018: €17.70).

5. OTHER ASPECTS OF CORPORATE GOVERNANCE

5.1 GENERAL DIRECTION AND LIMITATIONS TO POWERS

(i) General Management operating mode

It is recalled that the Company adopted the form of a limited company with a Board of Directors by decision of the joint General Assembly of 23 March 2016, prior to the admission of the Company's shares to the Euronext's regulated market in Paris.

In this corporate form, the Board of Directors may opt for the dissociation of the functions of Chairman and General Manager or for the uniqueness of these functions. As the MiddleNext Code of Corporate Governance reminds us, the law does not favour any formula and it is up to the Board of the Company to choose between the two terms of practice of the General Management according to its particular requirements.

At its first meeting on 23 March 2016, the Board of Directors appointed Mr Julien Moulin as Chairman of the Board and Director General of the Company.

This combination of the functions of Chairman and CEO has been adopted to ensure a more appropriate and effective unified leadership given the small size of the Group. This method of exercise also guarantees greater responsiveness, as it simplifies decision-making and accountability processes.

(ii) Limiting the powers of the Chairman and CEO

The Chairman and CEO, who assumes the fullest executive authority, is given the broadest powers to act in all circumstances on behalf of the Company. It exercises its powers within the limits of the social purpose and subject to those which the law expressly assigns to Shareholders' Assemblies and the Board. He represents the Company in its dealings with third parties.

The Chairman and CEO exercises powers within the limits of the Internal Regulations of the Board of Directors as internal rules. Thus, under the Board's internal regulations, certain decisions of the Director General in excess of certain amounts per transaction are subject to prior authorisation by the Board.

5.2 PARTICIPATION OF SHAREHOLDERS IN GENERAL ASSEMBLIES

(i) Notices

Shareholders' collective decisions are made in ordinary, extraordinary, special or mixed General Assemblies, depending on the nature of the decisions to be made.

General assemblies are convened and discuss issues under the conditions set out by law. They are held at the Head Offices or at any other place specified in the convocation notice.

(ii) [Conditions for participating in meetings](#)

The right to participate in meetings is subject to the accounting registration of the securities on behalf of the shareholder or intermediary registered on his behalf by 00:00, Paris time, on the second business day before the meeting, either in the records of registered securities held by the Company, or in bearer securities accounts held by the authorised intermediary.

The recording or accounting registration of securities in the bearer securities accounts held by the authorised intermediary is determined by a certificate of participation issued by the latter, attached to the remote-voting or proxy form, or to the request for an admission card established in the shareholder's name or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to the shareholder wishing to participate physically in the meeting and who did not receive his admission card by 00:00, Paris time, on the second business day before the meeting.

(iii) [Videoconferences](#)

Upon the Board of Directors' decision, shareholders may participate in a General Assembly via videoconference or by means of telecommunications and remote transmission, including the Internet, under the conditions provided by the regulations applicable at the time of its use. This decision is communicated in the meeting and/or convocation notice. In such a case, these shareholders are deemed to be present when calculating the quorum and the majority for this meeting.

(iv) [Remote voting](#)

Shareholders may vote by mail or grant powers of attorney, in accordance with the law and regulations. Shareholders may, under the conditions set out in applicable regulations, submit their voting form by mail for any General Assembly, either in hard copy or – upon the Board of Directors' decision, published in the meeting and/or convocation notice – by remote transmission under the conditions set by that notice. Notifications of the appointment of the voting agent, as well as of the revocation of the voting mandate, may be made in hard copy or electronic form.

Upon the Board of Directors' prior decision, the capture and signature of electronic forms may be made using any reliable identification process that meets the conditions set out in the first sentence of the second paragraph of Article 1316-4 of the Civil Code, which may consist of an identifier and password, or any other means provided for by existing regulations. Powers of attorney or votes thus expressed by this electronic means before the meeting, as well as acknowledgements thereto, will be deemed non-revocable writs, enforceable against all, it being specified that in the event of the transfer of securities before the third working day prior to the meeting at 00:00, Paris time, the Company will invalidate or modify accordingly, depending on the case, the powers of attorney or votes expressed before that date and time.

(v) [Attendance sheet](#)

An attendance sheet is certified as accurate by the Bureau of the assembly, in accordance with applicable regulations.

(vi) [Bureau and Chair](#)

Assemblies are presided over by the Chairman of the Board of Directors or, in his absence, by any other person they elect.

The Bureau of the assembly includes the Chairman, appointed as stated above, and two scrutineers. It appoints a secretary, who may be chosen from outside the Shareholders.

(vii) Proceedings

Assembly deliberations are recorded in minutes signed by the members of the Bureau and written in a special register, in accordance with the law. Copies and excerpts of these minutes are validly certified under the conditions set by law.

5.3 Items likely to have an impact in the event of a public offering

The elements that may have an impact in the event of a public offering are listed below:

- The Company's capital: see paragraph 4.15.1 of the annual financial report outlining the composition of the shareholding as of 30 June 2019;
- Statutory restrictions on the exercise of voting rights and transfers of shares or clauses brought to the Company's knowledge: no such restrictions or clauses;
- Direct or indirect participations in the capital of the Company, of which it is aware: the Company was not aware of this type of take Participation during the year;
- List of holders of all securities with special control rights and the description thereof: the Company is not aware of the existence of any such special control rights;
- Control mechanisms provided for in a possible system of employee ownership, when control rights are not exercised by the latter: nothing;
- Agreements between Shareholders of which the Company is aware and which may result in restrictions on share transfers and the exercise of voting rights: the Company is not aware of any such agreements;
- Rules applicable to the appointment and replacement of board members and amendments to the statutes: the applicable rules in this area are statutory and are in accordance with the law;
- Powers of the Board of Directors, in particular regarding the issuance or repurchase of shares: delegations made by the Company's Shareholders' General Assembly to the Board of Directors are listed in paragraph 4.15.3 of the annual financial report;
- Agreements providing compensation for members of the Board of Directors (Chairman and CEO, and Managing Director) or employees, if they resign or are dismissed without just cause or if their employment ends due to a public offering. (See section 4.13.4 of this report.)

6. OTHER PRESENTED INFORMATION

6.1 AGREEMENTS COVERED BY ARTICLE L. 225-38 OF THE COMMERCE CODE

The agreements covered by Articles L. 225-38 and following of the Commerce Code, i.e. so-called “regulated” agreements, which, prior to their conclusion, were authorised by the Board of Directors during the Fiscal Year ended 30 June 2019, will be subjected to the General Assembly’s approval.

In accordance with the provisions of Article L. 225-40 of the Commerce Code, these agreements have been the subject of a report by the Company’s Auditors and must be submitted for approval by the ordinary General Assembly of the Company.

6.1.1 *List of regulated agreements concluded in the year ended 30 June 2019*

i) Amendment to the Shareholder Loan Agreement (Deltec Bank & Trust)

Signing, on 30 June 2019, of a second amendment to the Shareholder Loan signed on 27 October 2017 between La Française de l’Energie and Deltec Bank & Trust, the Group’s current Shareholder of the Group, under which Deltec Bank & Trust makes up to maximum of €4,300,000 available, at an annual interest rate of 1.98%. La Française de l’Energie also owes a 2.50% commission, payable when the last portion of the loan is paid. An initial amendment has been signed on 28 September 2018, extending the maturity of the loan to 27 December 2019 and providing for an additional commission of €100,000, to be paid at maturity.

Amendment No. 2 extended and specified the repayment maturities of this Shareholder Loan under following terms, including the nominal amount, accrued interests and additional commissions: first repayment of €500,000 on 31 December 2019, second repayment of €250,000 on 30 June 2020, third repayment of €3,930,000 on 31 December 2020. The interest rate applied remained similar to that of the original Shareholder Loan.

As of 30 June 2019, the funds available under this loan agreement amount to €3,977,134, for a debt recorded in La Française de l’Energie’s Balance Sheet stood at €4,567,740, including commissions and interests accrued to that date. The interest expense recorded in FY19 is €78,747 and the commission charge is €140,146.

6.1.2 *List of previous agreements that remained in effect in the year ended 30 June 2019*

i) Service agreement between NextGen NRJ Limited and LFDE International

The terms and amounts of this contract are detailed in paragraph 4.13.5 above.

ii) Compensation and compensation for executive officers

The terms and amounts of this contract are detailed in paragraphs 4.13.2 and 4.13.4 above.

6.2 RESEARCH AND DEVELOPMENT

In calendar year 2018, La Française de l'Énergie registered a €250K Research Tax Credit, related mainly to the personnel expenses incurred in the "Bleue Lorraine" project, named after the exclusive research permit used to drill for and recover subsoil coal gas.

Some of this research is being developed as part of the REGALOR (for "*REssources GAZières de LORraine*") project, which was selected as one of the leading projects by the Grand-Est Region under the "State-Lorraine Pact (Action N° 8)" regional scheme and of the Valley of Materials and Energy priority area, "Regional Competitiveness and Employment", of the 2014-2020 FEDER-FSE Lorraine and Massif des Vosges Programme. This research work, which was carried out with the support of the UMR UL-CNRS Georessources Laboratory, under the co-tutelage of the CNRS and the University of Lorraine, seeks to accelerate the establishment of an industrial-scale demonstrator for the production of coal gas and its recovery in short circuits. This project's goal is to offer specific conclusions by late 2022.

In accordance with the accounting rules applicable in the current IFRS and French standards, the Group's drilling and exploration activities are not recognised as expenses but are capitalised. The relevant capitalised amount for the year ended 30 June 2019 amounts to €814K for La Française de l'Énergie.

6.3 EMPLOYEE SHAREHOLDING

No company savings plan has been set up for the benefit of the Company's employees.

As of 30 June 2019, employees and managers' participation in the social capital calculated in accordance with the provisions of Article L. 225-102 of the Commerce Code is 8%.

6.4 APPROPRIATION OF RESULTS

In accordance with the provisions of Article 243a of the General Tax Code, it is specified that no dividends have been distributed for the last three fiscal years.

It will be proposed to affect the full loss of the year as reflected in the Company's Financial Statements as of 30 June 2019, i.e. (€476,430) – in full to tax-loss carry-forwards, shifting these from a debit balance of €137,245 to a debit balance of €613,675.

6.5 ABSENCE OF LOANS

During the year ended 30 June 2018, the Company did not grant, as an incidental to its core business, any loans to companies with which it maintains economic ties justifying it (Article L. 511-6, 3a-al 2 of the Monetary and Financial Code).

6.6 NON-DEDUCTIBLE EXPENSES

In accordance with the provisions of Articles 223c and 223d of the General Tax Code, we specify that the amount of the Company's expenses covered by Article 39-4 of the Code stood at €2,878 for the year ended 30 June 2019.

6.7 TABLEAU OF RESULTS FOR LAST FIVE FISCAL YEARS

Appended to this report, in accordance with the provisions of Article R. 225-102 of the Commerce Code, is a table showing our Company's results in each of the last five years.

<i>Date of arrest</i>	30/06/2019	30/06/2018	30/06/2017	30/06/2016	30/06/2015
<i>Duration of the year (months)</i>	12	12	12	12	12
AT YEAR'S END					
Social capital	5,150,659	5,065,174	5,065,174	5,065,174	3,226,620
Number of common shares	5,150,659	5,065,174	5,065,174	5,065,174	3,226,620
Number of bonds convertible into shares				-	-
OPERATIONS AND RESULTS					
Tax-free sales				-	-
Earnings before taxes, equity, depreciation and amortisation and provisions	(2,366,911)	(330,593)	(90,458)	1,211,814	714,852
Income taxes	1,898,243	-	-	(601,378)	-
Employee participation				-	-
Depreciation and amortisation and provisions	(7,762)	(329,265)	(15,716)	(11,816)	(16,551)
Net income	(476,430)	(659,858)	(106,174)	598,620	698,301
RESULT PER SHARE					
Earnings after taxes, participation, before depreciation and amortisation and provisions	(0.09)	(0.06)	(0.02)	0.12	0.22
Earnings after taxes, equity, depreciation and amortisation and provisions	(0.09)	(0.13)	(0.02)	0.12	0.22
Dividend paid on each share	-	-	-	-	-
PERSONAL					
Average employee workforce	10	12	13	16	14
Payroll	768,197	1,009,328	954,561	1,139,324	568,530
Social charges	269,870	422,714	587,422	465,053	257,071

6.8 INFORMATION ON PAYMENT TERMS

In accordance with the provisions of Articles L. 441-6-1 al 1 of the Commerce Code and D. 441-1 amended by Decree 2017-350 of 20 March 2017, information on payment times for the Company's suppliers and customers is shown in the following table (amounts in €K).

	Article D. 441-4 I.-1: Invoices <i>received</i> unpaid on the closing date of the year due						Article D. 441-4 I.-2: Unsettled issued invoices on the closing date of the year due					
	<i>0 day (indicative)</i>	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and up)	<i>0 day (indicative)</i>	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and up)
(A) Late payment tranches												
Number of relevant invoices	61	X				97	X					
Total amount of relevant invoices (incl. all taxes)	452	50	82	232	214	578	X					
Percentage of year's total purchases (incl. all taxes)	17%	2%	3%	9%	8%	21%	X					
Percentage of year's revenue (excl. taxes)	X						X					
(B) Bills excluded from (A) relating to disputed or unaccounted-for debts and receivables												
Number of invoices excluded	16						X					
Total invoices excluded	2,652						X					
(C) Reference payment periods used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the Commerce Code)												
Payment times used to calculate late payments	x Contractual deadlines: variable deadlines depending on the supplier, in accordance with the legal provisions and regulations						x Contractual deadlines: not applicable as of 30 June 2019 <input type="checkbox"/> Legal deadlines: (specify)					

Invoices from Entrepouse Drilling (€2,465K), with which the Company is in dispute as of 30 June 2019, are included in Part (B) to this table.

This table does not include invoices that were not received by the closing date (€181K).

7. MAIN RISKS AND UNCERTAINTIES OF THE COMPANY

The Company considers the following risks to be the main material risks affecting the Group. The Shareholders and the potential investors should be aware of such risks. However, this list of risk factors is not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company.

There may be additional risks and uncertainties that are not currently known to the Group, or that the Group currently deems not significant at this stage. If any of the risks referred to below, or such new risks, occurs, the Group's business, financial condition, results of operations, prospects, and future activities could be materially adversely affected.

7.1 GENERAL RISKS ASSOCIATED WITH THE NATURAL GAS INDUSTRY

Activities relating to the exploration, appraisal, development, and production of natural gas are subject to various risks including the following.

Gas exploration, assessment, development and production activities are subject to many risks and can result in substantial costs

The Group's future financial condition and results of operations are dependent on the success of its exploration, appraisal, development, and production activities. Exploration, appraisal, development, and production activities are subject to numerous risks some of which are beyond the Group's control, including the risk that drilling will not result in commercially viable natural gas production. The decision to explore and appraise or otherwise develop and drill locations or assets will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data, and engineering studies, the results of which are subject to varying interpretations and may be inconclusive. The costs associated with drilling, completing and operating wells are often uncertain before drilling commences. Correspondingly, the costs associated with producing commercially viable volumes of natural gas are often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical.

Further, many factors may curtail, delay, or cancel scheduled drilling projects, including the following:

- shortages of or delays in obtaining equipment and qualified personnel;
- facility or equipment malfunctions, drilling hazards or environmental damage;
- unexpected operational events;
- pressure or irregularities in geological formations;
- adverse weather conditions, such as flooding and storms;
- reductions in natural gas prices;
- delays imposed by or resulting from compliance with regulatory requirements;
- proximity to and capacity of transportation facilities;
- limitations in the market for natural gas;
- costs and availability of contractual arrangements for properties or equipment associated with the Group's activities; and
- administrative delays
- legal remedies on permits
- regulatory changes and
- delays in obtaining or renewing permits.

Because of these uncertainties, the Group does not know if the identified drilling locations will be drilled within its expected timeframe, or if the Group will be able to economically produce natural gas from these or any other potential drilling locations. As such, the Group's actual drilling activities may be materially different from its current expectations.

Furthermore, the Group's completed wells may not produce reserves of natural gas that meet its earlier estimates of economically recoverable reserves.

Prospective resources are those estimated quantities of hydrocarbons, as of a given date, that are potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both a related chance of discovery and a chance of development. If discovered, there is no certainty that a resource will be commercially viable to produce any portion of the resources. The Group cannot assure investors that it will be able to actually discover resources or to develop them commercially.

The feasibility of gas extraction depends on numerous factors. Developing a hydrocarbon production field requires significant investments to drill production wells and build facilities in order to extract, store and transport hydrocarbons over the whole duration of the permit, and generally over several decades, whereas the estimated hydrocarbon may finally be incapable of extraction. Delays in the construction of production projects or other technical difficulties may result in any projected production being delayed or further capital expenditure being required. The rate of decline from the Group's projected wells may change in a different manner than what has been estimated. This could affect the Group's development and production plan.

In the end, the decision to develop production is dependent on the successful continuation of existing drilling works, which may be negatively affected by risks inherent to such activities, including disruptions in the operation of the wells, equipment breakdowns and other mechanical failures, availability of technical resources, environmental hazards, natural disasters and in case of *force majeure*. Drilling operations may also be affected by unexpected geological conditions, which include for instance geological anomalies and uncontrolled flows of groundwater, natural gas or other fluids, which may disrupt the operations and damage the wells, temporarily or permanently, causing the loss of the wells and of the related costs and investments. As a consequence of these risks, the Group may drill some wells that are non-productive and which must be plugged and abandoned.

The Group's operations also may be disturbed by equipment malfunctions or breakdowns affecting the drilling equipment. Operations involving the use of such equipment require skilled and experienced personnel to allow their proper operation and to minimise the risk of serious injury or damage. Breakdowns can cause disruptions to the drilling activities and damages to the wells. The Group may therefore face interruptions or delays with respect to its existing and future exploration and production activities, which could result in disruptions or changes to the Group's development projects, or a possible increase in development costs that may compromise the economics of the development.

In addition, the materialization of the risks described above may result in the carrying value on the Group's proven assets not being recoverable and therefore an impairment charge being required to reduce the carrying value of the proven assets to their estimated fair value, as discussed in more detail below.

Furthermore, the use of seismic data and other technologies and the study of producing fields in the same area will not enable the Group to know conclusively prior to drilling whether natural gas will be present or, if present, whether natural gas will be present in commercial quantities. Seismic data is a method used to determine the depth and orientation of subsurface rock formations. Even when

properly used and interpreted, 2D and 3D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and gas indicators and do not enable geoscientists to know definitively whether gas is, in fact, present in those structures or the amount of gas present. The use of seismic software and other advanced technologies requires greater pre-drilling expenditures than traditional drilling strategies, and the Group might not be able to recover such expenditures. As such, the Group's drilling activities may not be successful or economical, and its overall drilling success rate, or drilling success rate for activities in a particular area, could decline and the resources expected may not materialize. The Company cannot assure investors that the analogies drawn from available data from other wells, more fully explored resources or producing fields will be applicable to the Group's drilling resources.

The Group's activities involve operational risks, some of which may result in substantial losses and unforeseen disruption of operations

The Group's operations are subject to all the risks normally incidental to the exploration, appraisal, development, and production of natural gas, including:

- blowouts, cratering (catastrophic failure), explosions and fires;
- adverse weather effects and natural disasters;
- environmental hazards, such as natural gas leaks and pipeline ruptures;
- high costs of drilling rigs and other essential equipment, supplies, personnel and gas field services, shortages or delivery delays of equipment, materials, labour or other services;
- facility or equipment malfunctions, failures, or accidents;
- pipe or cement failures or casing collapses;
- reservoir damage; restrictions linked to licensing or regulatory issues;
- lost or damaged gas field workover and service tools;
- unusual or unexpected geological formations or pressure or irregularities in formations; and
- protests or disruptions caused by local communities, organisations and activist movements acting for ecological or political purpose.

The cost to develop the Group's projects has not been fixed and remains dependent upon a number of factors, including the completion of detailed cost estimates and final engineering, contracting and procurement costs. The Group's construction and operation schedules may not proceed as planned and may experience delays or cost overruns. Any delay may increase the costs of the projects, requiring additional capital, and such capital may not be available in a timely and cost-effective fashion.

The Group's overall exposure to operational risks may increase as its operations expand. Any of these risks could result in substantial losses due to claims in relation to injury or loss of life, worker's compensation, production facilities or other property. Exposure to operational risks may subject the Group to clean-up responsibilities, regulatory investigations and penalties, suspension of operations and default in obligations to third parties, which could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

The quantity and commercial viability of the Group's discoveries remain uncertain during the development phase

At the time exploration operations are launched, there are still numerous uncertainties about the quality of gas that may be discovered and, as the case may be, produced. Knowledge of reserves can sometimes be unpredictable and may only be acquired gradually during exploration and production operations. Should the estimate of gas reserves and the economic analysis justify the development of a discovery, the quantity and quality of the reserves discovered may, during production, turn out to be lower than predicted, or may vary from one well to another, and thus compromise the economics of

the operation. In addition, in order to market such gas, the quality of the gas must comply with certain criteria (for instance, in terms of percentage of methane). If the quality of the gas turns out to be lower than expected, the improvement of the quality of the natural gas may generate additional costs (such as the insertion of natural-gas treatment units) which may compromise the profitability of the production of such natural gas, or even affect the commerciality of the gas produced.

If the actual reserves or resources of the Group prove to be less than the current estimates, or of lesser quality than expected, the Group may be unable to recover and produce the estimated levels or quality of gas. In such a case, the Group may not recover the capital expenditures and operating costs that it has spent on exploration, development and production works.

The Group's activities depend on the availability of drilling and production equipment

The Group's coal-gas activities depend on the availability of the equipment used to carry out exploration works, such as drilling rigs. The level and location of drilling activity around the world impact the availability of drilling rigs and other equipment as well as third party services or technical contractors. An increase in drilling operations in France could therefore affect the availability of equipment and services to the Group.

The Group may have difficulties sourcing the exploration and production equipment it requires in the timeframe envisaged by the Group's plans due to high global demand for such equipment. The reduced availability of equipment and services, as well as their potentially high cost, may delay the Group's ability to carry out its explorations activities and, in case of discovery, to exploit reserves, and may as a result adversely affect the Group's operations and profitability. Should the Group decide to enter into executive or long-term contracts with certain providers of drilling equipment, the Group may become dependent upon such providers and subject to a risk of default from such providers.

Future evolutions in gas prices may adversely affect the Group's business and could result in an impairment loss if the Group is required to reduce the carrying value of its proved gas assets

The market price of, and demand for, gas is (and is likely to continue to be) volatile and is driven by a variety of factors, such as the price of oil, international supply and demand, the level of consumer product demand, and political and regulatory changes.

In particular, the gas energy industry is subject to ongoing development throughout the world and the entry of new competitors. These new competitors could either operate in the gas sector (for example, in the development of shale gas in Europe or Russia or increasing LNG import from Africa or North America) or in the sector of alternative energy sources (such as solar or wind energies). Such other types of energies may be produced and marketed at a lower price than that associated with the gas resources and reserves operated by the Group.

It is impossible to accurately forecast future gas price movements, and there can be no assurance that existing gas prices will be maintained in the future. Any material decline in gas prices could result in a decrease in the valuation of the Group (in particular as it may impact the level of reserves estimates) and a change in its development plans. Sustained downward movements in gas prices could render less profitable, or wholly unprofitable, some or all of the exploration activities of the Group, and therefore adversely affect the value of the Group's exploration assets and the potential future gas production related activities to be undertaken by the Group.

Declines in gas prices may also result in the Group having to make substantial downward adjustments to its estimated proved reserves. If this occurs, or if the Group's estimates of production or economic

factors change, IFRS accounting rules may require the Group to impair, as a non-cash charge to earnings, the carrying value of its gas assets.

The Group is required to perform impairment tests on proved gas assets for each financial statement reporting date and whenever events or changes in circumstances indicate that the carrying value of proven assets may not be recoverable. To the extent such tests indicate a reduction in the estimated useful life or estimated future cash flows of the Group's gas assets, the carrying value may not be recoverable and therefore an impairment charge will be required to reduce the carrying value of the proven assets to their estimated fair value. The Group periodically evaluates its unproved gas assets and could be required to recognize assets impairments. These evaluations are affected by the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of the leases, contracts and permits pertaining to such projects. If the quantity of potential reserves determined by such evaluations is not sufficient to fully recover the cost invested in each project, the Group will recognize impairment losses.

7.2 SPECIFIC RISKS ASSOCIATED WITH THE GROUP AND ITS ACTIVITIES

The Group has a limited operating history and its success is dependent on its ability to generate cash flow from future operations

The Group's operations are speculative and at an early stage of development, and its success will depend upon the Group's management ability to manage the current projects and to identify and take advantage of further opportunities which may arise. There is no guarantee that the cash flows generated by Gazonor are sufficient to cover the Group's future working-capital and investment requirements, considering the historical deficiency in the Group's production of revenues (under 2 years).

For early-stage projects, estimates of resources, reserves, capital requirements and operating costs are, to a large extent, based upon the interpretation of geological data and a series of assumptions including operating costs and expected production. These assumptions may prove wrong and as a result it is possible that actual operating costs and economic returns may differ materially from those estimated.

Data on gas-asset reserves and resources are only estimates; they could be significantly different from the actual figures and may not ultimately be extracted at a profit

The Group's business, which relies on the identification, evaluation and production of gas, is dependent upon the analysis of geological data and assessments, describing potential or identified reserves and resources, carried out by the Group or by third-party experts, which are inherently uncertain and may prove wrong. Regarding identification of reserves and resources, the Group relies in particular on data extracted from reports, in particular from the CPR, which has been prepared in accordance with the standards established by the 2007 Petroleum Resources Management System, approved by the Society of Petroleum Engineers, and historical data collected by Charbonnages de France.

The estimated gas volumes may be insufficient or incapable of extraction, or exploitation may not be commercially viable. Consequently, the Group cannot guarantee a return on any investments that are, or that will be, made with respect to future exploration, or that current exploration activities will be profitable.

Numerous uncertainties exist in estimating quantities of gas reserves and resources as well as net cash flows of the Group's proved reserves. The estimates set forth herein are based on various assumptions, which may ultimately prove to be inaccurate. The determination of such data is a subjective process of estimating underground accumulations of gas that cannot be measured in an exact manner. Estimates of economically recoverable gas reserves and resources as well as estimated net cash flows of the Group's proved reserves depend upon a number of variable factors and assumptions, including the following:

- historical production from the area compared with production from other producing areas;
- the quality and quantity of available data;
- the interpretation of that data;
- the assumed effects of regulations by governmental agencies;
- the production performance of the Group's reserves;
- assumptions concerning prevailing and future market prices;
- extensive engineering, geological and geophysical judgments;
- individual geologic chance factors, such as trap, source, reservoir and migration; and
- assumptions concerning future operating costs, severance, ad valorem and excise taxes, development costs, transportation costs and workover and remedial costs.

The estimates of reserves and resources are derived from expert reports (such as the CPR) and interpretations of seismic data and of well test results and in certain cases based on historical records of production. Such estimates are subject to various uncertainties that are beyond the Group's control. Actual reserves and production may therefore vary from estimates, and such variations may be material. Gas resource and reserve estimates may require revisions and/or changes based on actual production experience and in light of the prevailing market price of gas.

Moreover, the gas estimates for projects in Lorraine, Nord-Pas-de-Calais and Belgium also include prospective resources. Unlike reserves and contingent resources for gas, there is no certainty that any portion of such prospective resources will be discovered. The estimates for prospective reserves were calculated based on undiscovered accumulations of gas and were based on a mathematical model incorporating probability and inferences and limited drilling.

There are also numerous factors and assumptions inherent in estimating the quantities and qualities of, and costs to drill, gas reserves, any one of which may vary considerably from actual results. These factors and assumptions include: gas characteristics such as energy, purity, equipment and productivity, operating costs, including for critical supplies such as fuel and explosives, capital expenditures and development and reclamation costs, the percentage of coalbed methane (CBM) or coal mine methane (CMM) ultimately recoverable, the effects of regulation, including the issuance of required permits, and taxes, including severance and production taxes and royalties, and other payments to governmental agencies and timing for the development of the reserves.

The Group's actual production, revenues and expenditures with respect to its gas reserves and resources will likely be different from estimates, and the differences may be material. Any inaccuracy in the Group's proven and probable reserves estimates could result in decreased profitability from lower than expected revenue and/or higher than expected costs and may affect the value of its shares. In addition, the carrying value on the Group's proved reserves may not be recoverable and therefore an impairment charge will be required to reduce the carrying value of the proved reserves to their estimated fair value, as discussed in more detail above.

The Group's long-term success is dependent on identifying and developing new, profitable gas resources and reserves

The future success of the Group's gas business depends upon the ability of the Group to find, appraise, develop and acquire additional gas reserves that are economically recoverable. To do this, the Group must identify and access new resources through exploration under existing permits, obtaining new exploration and production permits from the government or negotiations for the acquisition of rights over permits. The Group currently relies on the geological data describing identified resources and reserves, such as the data set forth in the CPR.

In the future, the Group will need to identify new gas resources and reserves, in order to continue its exploration activities and develop into production. In addition, currently identified gas reserves may not be profitably operated and new resources and reserves may be necessary for the Group to continue its activities. If the Group is unable to replace reserves through drilling or acquisitions, its level of production and cash flows will be adversely affected. In general, production from gas assets declines as reserves are depleted, with the rate of decline depending on the relevant reservoir characteristics. The Group's total reserves decline as reserves are produced unless the Group conduct other successful exploration and development activities or acquire assets containing reserves that are economically recoverable. The ability of the Group to make the necessary capital investment to maintain or expand its asset base of gas reserves could be impaired to the extent cash flow from operations is reduced and external sources of capital become limited or unavailable. As a result, the Group may not be successful in exploring, appraising, developing, and acquiring additional reserves, and the Group may also not be successful in raising funds to acquire additional reserves. The Group cannot assure investors that it will obtain new permits in high potential areas and that new resources will be discovered in sufficient quantity and quality to replace existing resources and reserves or to allow the Group to recover the capital invested in exploration activities and to ensure a return on the investments made.

The Group's business requires significant capital expenditure, which may be higher than forecast and may never be recovered

Significant capital investment expenditures will be required to complete exploration and appraisal work on the Group's existing projects, to acquire new permits or develop exploration and appraisal work on new projects, and ultimately to achieve commercial production. The Group will therefore need to raise funds by way of equity financing and/or debt financing to finance its anticipated future operations, its working capital or capital expenditure requirements and to make acquisitions and finance its growth through future stages of development.

The estimated capital expenditure requirements of the Group are based on expected costs and certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Should the Group's capital expenditure requirements turn out to be higher than expected (for example, if there are unexpected difficulties in drilling, or price rises), the Group may need to seek additional funds which it may not be able to secure on reasonable commercial terms.

The Group could face difficulties in securing financing for its new projects, expansion and operations

The Group's business is capital intensive and requires substantial funds to explore and develop its assets prior to generating revenue. The Group has generated no revenue and consequently has financed its operations through debt and equity financing. The Group's existing funds and available credit facilities may not be sufficient to finance acquisitions, new projects and developments, further exploration and feasibility studies. The Group may need to raise additional debt or equity funds in the future to develop its projects, to place them in commercial production and to expand its operations.

There is no assurance that the Group will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable for the Group.

The Group's ability to secure funding for projects or other forms of financing for operations may depend on a number of factors, including commodity prices, interest rates, economic conditions, debt market conditions, stock market conditions and country risk issues. Inability to obtain financing or refinancing could cause revisions or delays in planned capital expenditure, reduction in the scope of planned activities or increased financing costs and, thus, adversely affect its business, reputation, financial condition, results of operations, prospects, and future operations.

The Group's future capital requirements will depend on many factors, including:

- the scope, rate of progress and cost of the Group's project-identification, evaluation, development and production activities;
- gas prices;
- the Group's ability to locate and acquire gas reserves;
- its ability to produce gas or electricity from those reserves;
- the terms and timing of any drilling and other production-related arrangements that the Group may enter into;
- the cost and timing of governmental approvals and/or Concessions; and
- the effects of competition by larger companies operating in the natural gas industries.

Additionally, any debt financing the Group undertakes could make the Group more vulnerable to changing exchange rates, interest rates, competitive pressure and economic downturns in the Group industry or the economy, in general. It could also require the Group to use a portion of its cash from operations for the repayment of debt or service interest expense, which will reduce the cash that would otherwise be available for its working capital needs, capital expenditures, acquisitions and other general requirements and reduce its flexibility to respond to changing business, regulatory and economic conditions. It could also restrict additional, future borrowings and indebtedness levels as well as future acquisition activity in addition to requiring security interests over its assets and limiting the Group's ability to pay dividends.

If the Group needs additional financing and is unable to obtain it, or obtain it on terms which are commercially acceptable, it may not be able to fulfil its development strategy. The Group may also be required to reduce the scope of its operations, forfeit its interest in some or all of its permits, or reduce its operations, which may have a negative impact on the Group's long-term development and business.

The Group may not be able to accomplish its business plans

The Group's business plans are based upon assumptions and forecasts regarding the development of the financial condition and business of the Group. In particular, such plans have been established based on assumptions such as the ability of the Group to drill, its capacity to comply with its capital expenditure plans and the expected timeframes. These forecasts may become inaccurate, and external events may occur that would have an impact on these assumptions and forecasts (e.g., technical problems, an increase in the price of equipment, discrepancies between the expected and current sizes of gas reserves and resources, etc.). As a result, business and development plans of the Group may not be accomplished.

The Group may not be able to develop its business from the exploration stage into the production stage

After the certification of the first proven reserves in the Lorraine region and the successful completion of its Lachambre well, with a modified well architecture and equipment better suited to the constraints

of the Lorraine subsoil, the Group has applied for a production permit in Lorraine in November 2018. The Group may face delays or unexpected costs that make it unable to convert its business model from the exploration phase to the production phase and/or to produce gas in a cost and/or time effective manner or meet its return on investment objectives.

Production activity requires obtaining production permits (the “Concessions”). Concessions are decrees, and therefore require the signature of the Prime Minister, as well as other administrative approvals, granted by local authorities, which are necessary to start development and production works. The Group is dependent on obtaining such Concessions in order to implement its production plans, but the Group has no assurance that it will obtain such permits and approvals in the planned timeframe or at all.

In addition, developing production activities, such as those planned by the Group in the Lorraine area, require high investments in particular in respect of the development of a full-fledged production platform connected to a gas distribution network. The Group’s development will therefore depend on its ability to find the appropriate partners (financial and/or farm-out partners), to raise reserves-based financing, or to raise funds from the market or other investors.

The Group may not be able to market and commercialize its gas production under the expected circumstances, and a small number of customers may continue to account for a significant portion of the Group’s total operating revenues in the future

For each new production site, the Group will have to invest in production equipment and commercialization activities, for which it will need an experienced internal team, and will need to secure commercialization contracts.

A small number of customers accounts for a significant portion of the Group’s total operating revenues, and the loss of, or a decline in the creditworthiness of, one or more of these customers could adversely affect the Group’s financial condition and results of operations.

Nor can the Group guarantee that it will manage to distribute its gas at an acceptable cost, or that it will have sufficient resources to make the adequate investments in equipment or have personnel dedicated to the commercialization of its gas production. As a result, the Group may be unable to develop such activity and/or to comply with its business plan.

The Group may also opt to outsource this marketing activity. This will require the Group to find partners, which the Group may be unable to find.

The Group depends on its relations with the various stakeholders, is exposed to the operational risks affecting gas and electricity companies, and must develop a positive image ensuring its social acceptance

The Group’s ongoing and future success depends on securing and maintaining a positive relationship with the communities in which it operates. The Group believes its operations can provide valuable benefits to surrounding communities, in terms of direct employment, training and skills development, creation of demand for products and services and other community benefits associated with ongoing payment of taxes and contribution to community development funds. However, communities may oppose to the Group’s activities, which may result in civil unrest, protests, direct action, or campaigns against the Group which could slow down the process of obtaining necessary permits. Any such actions may have a material adverse impact on project costs or production, or in extreme cases, project viability.

The Group also may face opposition by certain non-governmental organisations dedicated to the protection of the environment or individuals. Opposition to the Group's future projects could lead to opposition during public enquiries and legal proceedings, the costs to the Group could be high and the ultimate outcome uncertain, with a possibility that the Group fails to obtain the authorisations necessary to pursue the development of its activities.

In addition, the Group depends on its relations with the competent authorities and notably with governmental authorities and every change on the applicable regulations and on the policy towards the Group, or more generally every change of the exploration and production activities may have a significant negative impact on the Group's activities, financial situation, results, forecasts and future operations.

The Group's image and its reputation are fundamental elements of its positioning and its value. However, gas companies may not be perceived positively by the public and their businesses not always well understood. In particular, since the Group may be viewed as a gas exploration company, it may face critics and other types of disparagement. In addition, people may incorrectly assume the Group uses "hydraulic fracking" technology, which the Group does not (and is banned under French law), and other unpopular technologies, such as those used for shale gas and certain exploration activities similar to those of the Group. Any such event, misperception or unpopularity could affect the Group's ability to obtain additional permits and could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

The drilling technology using by the Group may be difficult to implement on a wide scale and may become obsolete

The Group uses or intends to use various technologies to carry out its exploration and appraisal works.

The Group plans to test and exploit CBM reservoirs using multi-lateral wells. This type of well, sometimes referred to as "horizontal", are widely used in the international gas industry and the Group believes that the usual techniques employed to drill such wells can be implemented in France. However, a number of risks remain in the operation of such drilling technology, including the risk of sticking tools in the hole, loss of valuable equipment which may not be recovered, inability to steer the well in the desired formation and inability to progress the well to the desired length/depth. These risks may be more or less severe depending on the uncertainties regarding the geometry and continuity of the target formation and the length of the well. If such risks materialize, the Group may face interruptions, delays or the loss of valuable wells, which could result in disruptions to the Group's activities or changes in its development projects, and therefore have an adverse effect on the Group's development.

The Group's technology may become obsolete or difficult to implement on a wide scale, and the Group may be unable to identify and develop new technologies. Competing technologies may be further developed to the detriment of the Group. The Group may have to dedicate some resources to exploration and development activities and monitor the development of competing technologies. The Group's failure to adapt successfully to these changes in the competitive landscape could also result in a loss of market share, decreased revenue or a decline in profitability.

The Group is a small start-up gas operator, and faces significant competition from larger, well-established gas companies

The Group operates in a challenging business environment where there is intense competition for access to exploration acreage, gas markets, gas services and rigs, technology and processes, and costs and transportation capability.

Key areas in which the Group faces competition include:

- acquisition of exploration and production permits through competitive or bidding processes run by governmental authorities;
- acquisition of other companies that may already own licenses or existing gas assets;
- attracting and retaining experts and labour for the Group's various stages of operations;
- engagement of third-party service providers whose capacity to provide key services may be limited;
- entering into commercial arrangements with customers;
- purchase of capital equipment that may be scarce;
- gas sale as a source of energy as alternative energy sources such as hydroelectric, wind or solar energy, becoming more cost-competitive; and
- employment of highly-skilled personnel and professional staff.

The Group's competitors include larger and more established companies with greater financial resources, staff and facilities. Competition for exploration and production permits as well as other acquisition opportunities may increase in the future. The Group's competitors include, inter alia, British Petroleum, ENI, Geopetrol, Ineos, Lundin, Maurel et Prom, SCDM Energie, Sasca, Shell, SPPE, Statoil et Trapol, Total and Vermilion.

In addition, if alternative energy sources, such as hydroelectric, wind or solar energy, become more cost-competitive, demand for traditional sources of energy such as gas could decrease.

The Group's competitors may also convert into the production phase more quickly, or at lower costs or more generally at better financial condition. This may lead to increased costs in the carrying on of the Group's long-term activities and reduced available growth opportunities. Therefore, any failure on the Group part to compete effectively could adversely affect its business, financial condition, results of operations, prospects, and future operations.

The Group relies on its management team and senior executives with relevant experience in the natural-gas sector

The Group's success will depend to a large extent upon the efforts and abilities of its executive officers and key operations personnel who have built the Group's business and have been instrumental in its development. The loss of the services of one or more of these key employees could have a material adverse effect on the Group. In particular, the Group relies on the expertise and experience of its directors and executive officers who play a pivotal role in its daily operations. If the Group is unable to retain the services of these key individuals and are unable to suitably replace them in a timely manner, its business may be materially and adversely affected.

The Group's business is also dependent upon its ability to attract and retain qualified personnel. The Group needs highly qualified personnel to ensure the provision of technical and engineering services in the production and development of gas resources as well as the exploration of these resources. For example, the Group's plans to develop its CBM Lorraine assets require the identification and retention of personnel who have the specialized experience in drilling and developing natural resources in France. As the demand for geoscientists, CBM engineers and highly skilled persons from the Group's competitors increase, shortages in professionals may occur, and thus acquiring and keeping these personnel could prove more difficult or cost substantially more than estimated. This could cause the Group to incur greater costs or prevent it from pursuing its stated business objectives as quickly as the Group would otherwise wish to do. Limitations in the Group's ability to hire and train the required number of skilled personnel and professional staff may reduce its capacity to expand its operations and may adversely impact its business. There is no assurance that the Group will successfully continue

to retain existing senior management and specialized personnel or attract additional qualified senior management and/or gas specialists required to successfully execute and implement the Group's business plan, which will be particularly important as the Group expands. Competition for such personnel is intense. The loss of such personnel and the failure to successfully recruit replacements would have a material adverse effect on its business, financial condition, results of operations, prospects, and future operations.

7.3 RISKS RELATED TO THE REGULATORY ENVIRONMENT APPLICABLE TO THE GROUP'S ACTIVITIES AND OTHER LEGAL RISKS

The Group is subject to government regulations relating to the gas and electricity industries and to the acquisition of government permits, licences and authorisations

The Group's current operations are, and its future operations will be, subject to the various governments' policies and regulations governing the gas industry and the environment. These policies and regulations relate to, among others things, the implementation of new regulations, granting of permits for the exploration, production and authorisation for drilling operations, obligations relating to the respect of the environment and rehabilitation, the sharing of information on natural resources and reports concerning operations, the spacing of wells, unitization of natural gas accumulations, taxation, development, construction, operation, production, marketing and pricing, transportation and storage of natural gas. For instance, each time the Group undertakes drilling of new wells for exploration or production the Group will be required to obtain new administrative approval which it may not obtain in a timely manner, or at all. Failure to obtain such approvals would have an adverse effect on the Group's drilling plans and may result in significant financial loss to the Group.

Further, any governmental action concerning the conventional and unconventional gas industry, such as a change in natural gas pricing policy, expropriation, nationalization, renegotiation or nullification of existing permits, Concessions, authorisations and contracts, taxation policies, foreign exchange and repatriation restrictions and currency controls could have a material adverse effect on the Group. There is no assurance that these governments will not postpone or review projects or will not make any changes to government policies.

The complex regulations governing the Group's activities could be amended

The Group currently operates mainly in France. and, to a lesser extent, in Belgium. A change in the French or Walloon (Belgian) governments' energy policies to the detriment of gas, for instance, by amending the current tax regime applicable to natural-gas and green electricity production, could materially adversely impact the activity of the Group. Such changes may have consequences on the granting of new permits and renewal of older permits.

In addition, no assurance can be given that new laws and regulations will not be enacted or that existing or future laws and regulations will not be applied in a manner which could serve to limit or curtail gas exploration, production or the development of the Group's business or have an otherwise negative impact on its activities.

Amendments to existing rules, laws and regulations governing the Group's operations and activities, or increases in or more stringent enforcement, implementation or interpretation thereof, could have a material adverse impact on the Group's business, financial condition, results of operations, prospects, and future operations and its industry in general in terms of additional compliance costs.

The law published on 31 December 2017, which seeks to put an end to the search for and exploitation of unconventional hydrocarbons and restrict the search for new hydrocarbons in France is an example of the significant risk that needs to be controlled and monitored closely, so that the Group's activities are not affected by this law, or are as little affected as possible.

The Group may be involved in legal, regulatory, judicial and other proceedings arising out of its business and operations, and may incur substantial costs or delays arising as a result

The Group is and has been involved in disputes with various parties such as partners in farm-out or production-sharing agreements, customers or suppliers, and may be again in the future. These disputes may lead to legal, judicial or other proceedings and may result in substantial costs, delays in the Group's development schedule, and the diversion of resources and management's attention, regardless of the outcome. If the Group fails to win these disputes, it may incur substantial losses and face significant liabilities. Even if the Group succeeds in these disputes, it may also incur substantial costs in mounting its claim or defence.

In addition, from time to time, the Group is involved in disputes brought by local opponents (individual or collective), environmental activists or environmental NGOs intended at limiting the operational activities of the Group under its permits or challenging before French courts the administrative decisions granting or renewing exploration permits (*permis exclusifs de recherche*). Although the Group does not see these actions as presenting a serious risk to its activities, the Group may incur significant management time and legal costs in defending such claims.

Lastly, the Group may be subject to regulatory action in the course of its operations, which may subject the Group to administrative and/or judicial proceedings and unfavourable decisions that could result in administrative or criminal penalties and/or delayed construction of new facilities. In such cases, the Group's results of operations and cash flow could be materially and adversely affected.

The Group's operations are subject to various health, safety, environmental, and operating risks

Due to the nature of its operations, the Group is exposed to various health, safety, environmental and operating risks. Such risks may include adverse weather conditions or disasters such as earthquakes or flooding, fires, unusual or unexpected variations in geological conditions, industrial accidents, critical failures in its exploration and production equipment, mishandling or loss of containment of dangerous substances, and technical problems. Factors influenced by geography, operational diversity and technical complexity of the Group's activities at each site are beyond its control.

The Group faces industrial and environmental risks inherent in gas exploration and production activities. Among these risks are eruptions of crude oil or gas during drilling, wellhead cave-ins and spills or leaks of gas, leading, in particular, to risks of toxic spillage, fire or explosions. All these events are capable of damaging or destroying the gas wells in production and surrounding facilities, endangering human lives or property, leading to business interruptions and causing environmental damage with certain direct consequences for the health and economic wellbeing of local communities.

The Group's gas exploration/production activities can also endanger water resources and the quality of subsoil, especially in the case of gas spills into groundwater or the subsoil. These spills could affect the environment and inhabitants near each exploration plants and storage areas, and cause the Company to incur high remedial, rehabilitative and legal costs. In addition to these risks during the period of operations, the Group may be bound, when unwinding operations on a production site, to carry-out decommissioning or decontamination activities which may represent a significant cost for the Group.

In addition, the Group may also be subject to intentional acts of sabotage or vandalism on its facilities or production sites. The Group cannot assure that the risks described above will not occur in the course of its operations. The occurrence of any of these risks may expose the Group to legal or regulatory proceedings where the Group may have to incur substantial costs to rectify and rehabilitate. Any such occurrence could be detrimental to the Group's reputation in respect of future operational opportunities or could even result in the loss or suspension of, among others, its licenses or the termination of its agreements for its operations in the affected Concessions and/or permits, which could affect the Group's results of operations and financial position.

Moreover, future spills or releases of regulated substances or accidents or the discovery of unknown contaminations and pollutions could expose the Group to material losses, expenditures and liabilities regarding the legislations and regulations applicable to environmental, health and safety matters. Such liabilities could include penalties, sanctions or claims for damages to persons, property or for damages to the environment brought by the administration or by third parties that could cause the Group to incur substantial costs or losses, of which the Group may not be able to recover some or any of these costs from insurance and this would have a material adverse effect on its business, financial condition, results of operations, prospects, and future operations.

Implementation of any one or more of any various proposed responses to any disaster, past or future, could materially adversely affect the Group's financial results by raising operating costs, increasing insurance premiums, delaying drilling operations and increasing regulatory costs, in addition to a wide variety of other unforeseeable consequences.

The Group may have to incur significant costs in connection with the carrying out of some of its operations as a result of environmental regulations

As a result of the applicable mining and environmental regulations, the Group will have to take various remedial, compensation or surveillance actions (such as site restoration, confinement and perimeter protection, prevention measures), in connection with the unwinding of certain of its operations or closing of some of its drilling sites.

The cost of such remedial actions may be significant and may be increased as a result of changes in applicable regulatory requirements, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's failure to comply with the laws and regulations applicable to its activities could result in substantial expenses and the suspension of its operations

The costs of complying with applicable laws, particularly in environmental matters, are likely to increase over time and the Group cannot assure that it will be able to remain in compliance with respect to existing or new laws and regulations or that the cost of such compliance will not have a material adverse effect on its business, financial condition, results of operations, prospects, and future operations.

Failure by the Group to comply with applicable existing laws, rules and regulations also may result in the suspension or termination of the Group's operations, may subject the Group to administrative, civil and criminal sanctions (including penalties), or may make the Group liable for personal injuries, property damage and other types of damages.

7.4 MARKET RISKS

The credit risk of counterparties could have an adverse effect on the Group

The Group deals with various counterparties, including existing and potential joint venture partners, its customers, and counterparties in the financial services industry, such as commercial banks, insurance companies and other institutions. These transactions expose the Group to credit risk in the event of default of the counterparty. Deterioration in the credit markets may impact the credit ratings of current and potential counterparties and affect their ability to fulfil their existing obligations to the Group or their willingness to enter into future transactions with the Group. The Group's current clients are EDF OA and Total Gas & Power in the Hauts-de-France, and EDF Luminus in Belgium.

The Company's shares are subject to market fluctuations; furthermore, a liquid market might not develop or last

The Company cannot guarantee the existence of a liquid market for the shares, nor that such a market, if it develops, will last over time. Should no liquid market for the Company's shares emerge, the shares' market price and the investors' ability to trade the shares under conditions that they may deem satisfactory may be significantly affected.

The transfer of a substantial number of shares of the Company or the perception of the imminence of such transfer may have an adverse effect on the market price of the shares of the Company

The transfer of a substantial number of the Company's shares on the market at the expiry date of the lock-up agreements consented by the main Shareholders for the purpose of the Company's initial public offering, or the perception by the market that such a transfer is imminent, might decrease the market price of the Company's shares.

At the expiry of these lock-up agreements, the Company and the Shareholders are free to transfer all or parts of their stake in the market and the latter are free to complete the abovementioned operations, which may have a significant adverse effect of the market price of the Company's shares.

The Company's share price is likely to be affected by significant volatility

The market price of the Company's shares could experience significant volatility and may vary depending on a significant number of factors that the Company does not control. These factors include, among other things, the market's response to:

- changes in the Group's financial results, forecasts or outlook or those of its competitors from one period to the next;
- announcements from competitors of the Group or other companies with similar activities, including those relating to the financial and operational performance of these companies or their prospects, and/or announcements regarding the markets in which the Group operates;
- adverse developments in the political, economic or regulatory situation applicable in the countries and markets in which the Group operates; or legal or administrative proceedings concerning the Group;
- unfavourable developments in oil and gas prices;
- announcements of changes to the Company's shareholding;
- announcements about changes to the Group's management team or key employees; and
- announcements on the scope of the Company's assets (acquisitions, divestitures).

In addition, equity markets experience significant fluctuations that are not always related to the results and prospects of companies whose shares are traded there. Significant market fluctuations and economic conditions could significantly affect the market price of the Company's shares and lead to a decline in the value of investor investments.

7.5 RISK PREVENTION AND MANAGEMENT

Insurances taken out by the Company

The Company has set up a policy of covering the major insurable risks with guarantee amounts it deems in accordance with the nature of its activity within the Group.

The Group's main current insurance policies include civil liability, with Lloyd's; drilling activities/pollution risks, with Lloyd's-Oilfield-Starr-Market; damage to and breakdown of machinery, with XL Insurance (Axa); and managers' liability, with Liberty.

General Internal-Control Principles

The Company has implemented the legal and regulatory provisions applicable to listed companies as regards internal-control procedures and its approach is in accordance with corporate-governance principles.

Regarding financial issues, the Company now applies an internal procedures manual to control financial risks. To complement this mechanism, the Company is setting up a comprehensive risk-management and internal-control system for the Group, the main elements of which will be:

- Identifying and controlling operational risks;
- The Group's overall risk management (at the subsidiary level);
- Monitoring the reliability of the processing of accounting and financial information;
- Controlling the cash position and rules of engagement and significant risks;
- Reporting on and the global monitoring of compliance with internal-control standards and the internal-control mechanism.

Internal-control procedures for financial and accounting reporting

The internal control over the processing of financial and accounting information seeks to ensure that the accounting and financial information within the Group complies with the relevant laws and regulations. Internal control is also intended to ensure the implementation of the instructions and guidelines set by General Management.

The activities of the Group's General Management, Financial Management and management control are centralized at the Company level. The Group's subsidiaries have some in-house administrative and financial services and outsource their accounting management.

Only the Company can commit itself through pledges and guarantees or take on market instruments.

The Group's Financial Management has implemented an accounting plan and procedures applicable to all the Group's entities. These procedures relate to budgetary control and information reporting.

The Group's consolidated Financial Statements are prepared by the Company's teams. Each consolidated subsidiary prepares a set of accounts, restated to comply with the Group's accounting standards and based on accounting data from local information systems.

The Group continues to strengthen its internal-control system regularly, with a strong focus on team and management awareness, systematic risk reviews, and the development of effective and tools tailored to meet the teams' needs, particularly an increased reliance on automated controls.