



LA FRANÇAISE DE L'ENERGIE

Limited company with a share capital of €5,065,174
Corporate headquarters: 1 Avenue Saint-Rémy, Espace Pierrard, 57600 Forbach
501 152 193 RCS Sarreguemines

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2018**

1. DECLARATION BY THE PERSON RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE INFORMATION

Mr Julien Moulin, Chairman of the Board of Directors and Chief Executive Officer.

1.2 CERTIFICATE OF THE PERSON RESPONSIBLE

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.

Certify in Forbach on 31 October 2018



Julien MOULIN

Chairman and Chief Executive Officer

2. STATUTORY AUDITORS

2.1 LEAD STATUTORY AUDITORS

- **Ernst & 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' Meeting 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

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' Meeting called to approve the financial statements for the fiscal year ending 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 – Paris-La Défense – 92400 Courbevoie

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' Meeting called to approve the financial statements for the fiscal year ending 30 June 2019.

- **Mrs 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' Meeting 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 Commercial 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 2017 to 30 June 2018.

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 2018, 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
FRENCH COMPANIES			
Concorde Energy Paris SARL 36 rue du Dr Le Savoureux 92290 Châtenay-Malabry RCS 529 069 825	€1,000	100%	Operational company (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 (EPP application La Grande Garde)
EG NPC SAS 1 avenue Saint-Rémy 57600 Forbach RCS 790 090 880	€1	100%	Operational company (NPC permit) – not active to date
Gazonor SAS ZAL Fosse 7 62210 Avion RCS 381 972 439	€1,400,000	100%	Operational company (EPP and concessions)
Gazonor Holding SAS Zal Fosse 7, 62210 Avion RCS 451 506 612	€8,450,000	100%	Holding company

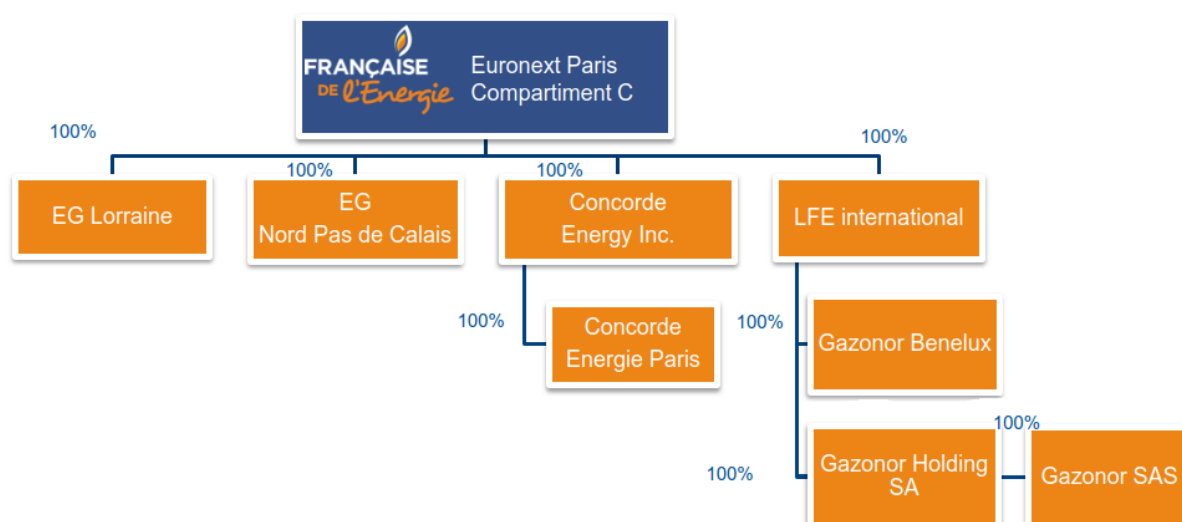
Address and Trade and Companies Registration N°	Share Capital	% Equity Interest	Activity
FOREIGN COMPANIES			
Concorde Energy Inc. 1537 Bull Lea Road Lexington, Kentucky 40511 (USA)	\$6,391,199	100%	Holding company
Gazonor Benelux SA Voie de l’Air Pur 17-19 4052 Chaudfontaine (Belgium)	€300,000	100%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

The perimeter of Company-held subsidiaries did not change between 30 June 2017 and 30 June 2018, with the percentage of control and interest also remaining the same (100%).

In 2017, EG Benelux changed its name to Gazonor Benelux. Its head office has been located in Chaudfontaine, Belgium, since 01 July 2018.

La Française de l’Energie also wholly owns two dormant subsidiaries: EG Gardanne and EG Jura. All assets of these two companies are currently being transferred to La Française de l’Energie. These transactions are expected to be concluded before 31 December 2018 and to have no significant impact, due to the lack of activity of the two companies concerned.

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 2018.



3.1.2 Business activity and development, significant events

(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 in Wallonia. 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 France's 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 250,000 tonnes of CO₂ emissions per year at this stage.

Subsection 1: A strong and sustainable geographic anchorage centred on the former mining basins

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.

The Group's operations are mainly concentrated in three areas: Lorraine, located in the Grand Est, a region located on the Franco-German border, the Pas-de-Calais, in the Hauts-de-France, a region located on the Franco-Belgian border and Wallonia, a region in the south of Belgium. The subsoils and geology of these areas have been well explored, documented and mapped through hundreds years of mining activity, thousands of wells, as well as other historical drilling and seismic studies activities, giving the Group a significant competitive advantage to focus on short-circuit production of gas, coals and mining voids.

Key Figures

Production

During the year ended 30 June 2018, the Group's annual gas production continued to grow with a direct effect on the Group's revenues, up 81% compared to the previous year. All gas production currently comes from our activity in the Hauts-de-France, since the Group does not yet market the gas currently produced on the surface at the test site in Lachambre, Lorraine, Grand Est Region.

These production figures, circa 60 million m³, are to be placed in perspective with the volumes of gas reserves certified by IFP Energies Nouvelles and DMT, which amount to 9,981 million m³, the equivalent to more than 140 years of production at the current rate.

The year 2018 saw the first full year for green power-generation activities, through the 4 power-generation sites – installed in record time – with a total capacity of 9 MW. These facilities benefit from the 15-year feed-in tariff under the “renewable and recovered energy” contract

implemented following the Decree of 04 November 2016. Production will continue to grow significantly over the next few years with the establishment of new mine-gas capture and recovery sites in the Hauts-de-France and Belgium. Gas production in Lorraine is expected to also start contributing to this increase in the volume of gas produced in 2019.

Subsection 2-1 Reserves

The Group has proven and probable reserves (2P category) of 9.98 billion cubic metres, more than 140 times the output reached in 2018. This figure represents a one-year, 40% increase of the Group's certified reserve volumes, confirming the significant revenue potential to be realized and demonstrating that the Group has a renewable reservoir that is recharged naturally, thanks to the continuous desorption of coals.

This volume of gas is a real tangible asset, since the independent certification that grants the status of reserves validates both the technical aspects and the cost effectiveness of the production of gas and its valuation.

These significant figures do not currently consider the full potential of the Group's assets.

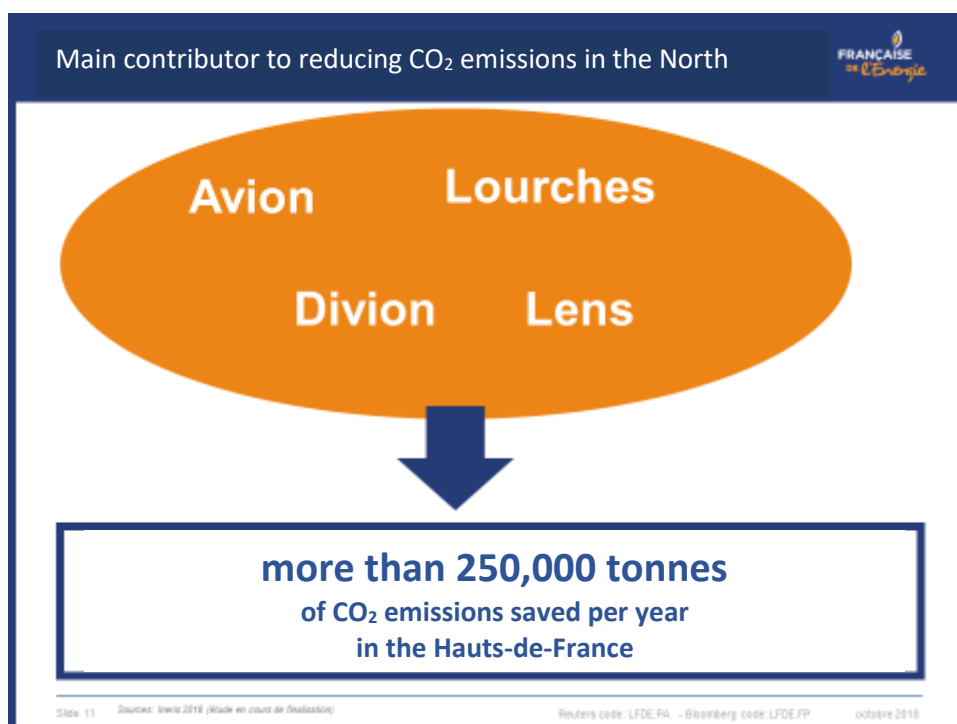
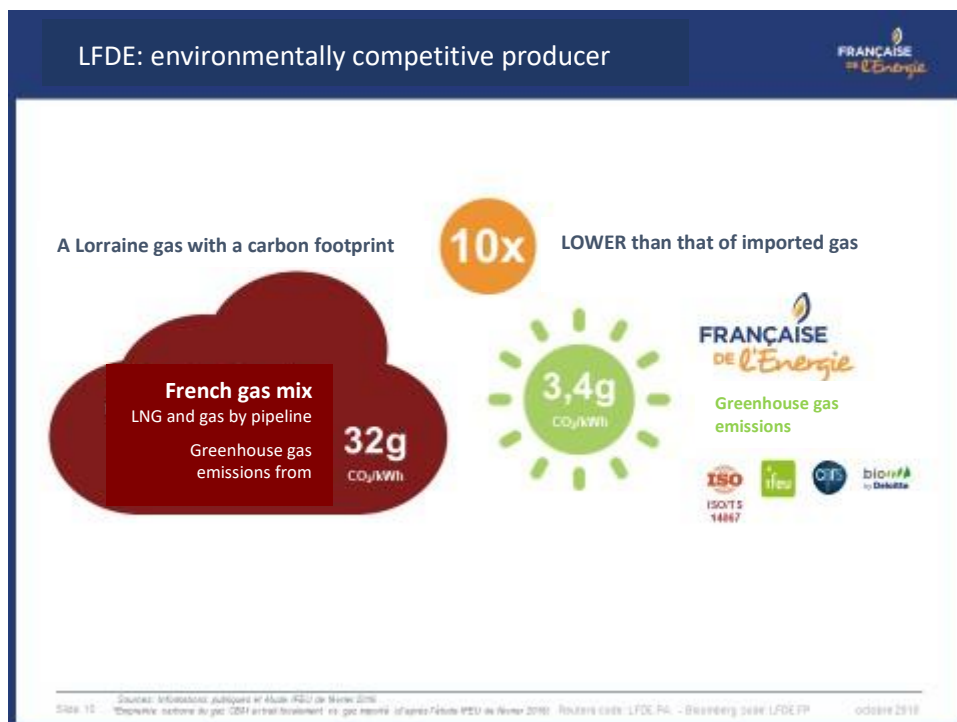
At this stage, the certifications concern only the concessions of Désirée and Poissonnière in the Hauts-de-France and the permit of Bleue Lorraine in the Grand Est. These volumes therefore do not take into account the volumes of gas identified in adjacent areas in both the Hauts-de-France and the Grand Est, nor do they include the volume of gas present on the Anderlues operating licence in Belgium. Several of these areas will be certified in 2019.

The Group also holds 348 billion cubic metres of contingent resources, which it intends to phase in production in the coming years as these resources are converted into proven reserves.

All certifications have been carried out to date by Beicip-Franlab (IFP Énergies Nouvelles), and DMT, the leading German player in coal gas.

Below is the allocation of reserves and contingent resources between different geographical areas.

Environmental impact



Grand Est

A February 2016 study by IFEU (Institut für Energie- und Umweltforschung), the German reference institute in exploration dedicated to energy, environment and ecology, based in Heidelberg, with the support of CNRS and Bio-Deloitte, highlighted the very low carbon footprint of the Lorraine coal-gas project. The results reveal that this high-quality, 100% French

energy emits on average ten times less CO₂ than natural gas imported and consumed in France (mainly from Norway, Russia, the Netherlands, Algeria and Qatar).

The study found that the overall carbon footprint of the gas produced by the Group is about 3.4 g CO₂/kWh, an environmental footprint ten times lower on average than that of imported gas, which is about 32 g CO₂ / kWh. The gas produced is a gas of very good quality and high calorific value. It is also intended to be produced and consumed locally, which further reduces its environmental footprint and contributes to the energy transition currently underway in France and Europe.

Hauts-de-France

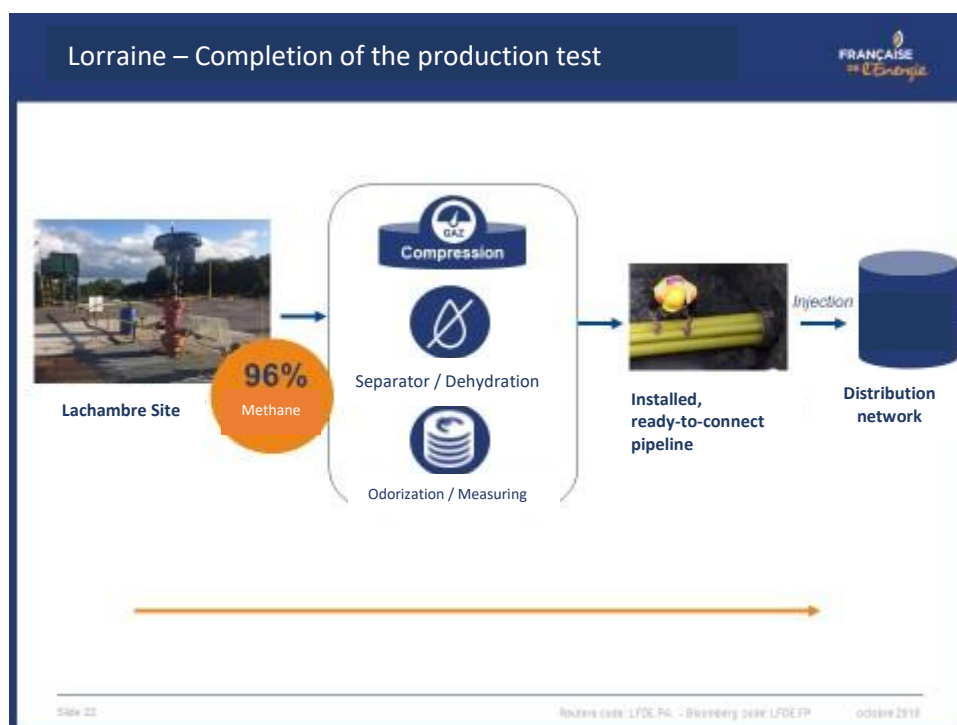
The activity in the Hauts-de-France, led by the Gazonor SAS subsidiary, is legitimately at the heart of the collective effort to reduce the carbon footprint, through its mine-gas capture business, which allows avoiding its release into the atmosphere. Since the gas, of course, escapes the old mining galleries through the decompression vents spread over the mining basin, Gazonor captures it upstream and enhances it in short channels, in the form of gas, green electricity and heat for the benefit of users located in the same territories.

The deployment of this green-energy business confirms the Group's innovative positioning, which produces environmentally competitive energy by avoiding more than 250,000 tonnes of CO₂ emissions per year at this stage, thanks to the gas captured in the old mining galleries.

(ii) Significant developments during the year

During the year ended 30 June 2018, the Group continued the production test of the CBR-1 well at the Lachambre site in Lorraine. Continuous surface gas production has been established and the quality of the gas produced has been confirmed over these periods to more than 95% methane with very little impurities. In accordance with its plan, but with a few months' delay in its schedule, the Group continues its production testing phase in order to dehydrate the coal seam and determine the well's maximum production level. Once the maximum potential of the well has been established, the Group plans to order the surface equipment needed for injection into the network. This equipment consists of a compressor, a dehydration unit and a measuring

and odorizing container. The Group continues to make progress towards the marketing of its gas in Lorraine, with the first gas sales expected in 2019.



In the Hauts-de-France, the Group successfully launched the first 4 green power-production sites from mine gas for a total installed capacity of 9 MW. Of these 9MW, 3 sites reached their cruising pace in 2018 with Jenbacher (GE) engine availability over 94%.

The historic site of Avion, inherited from Charbonnages de France (CDF), has experienced operational difficulties that have affected the production of gas and also the production of green electricity of the 3 MW installed at this site. Indeed, the gas engines installed in 1988 by CDF that power the Avion station compressors experienced repeated failures between November 2017 and April 2018. These breakdowns have resulted in exceptional maintenance, the direct cost of which is estimated at nearly 0.9 million euros for fiscal year 2018, and the total cost – including loss of production and gas purchases – amounts to more than 2 million euros.

To avoid further disappointments on this site, the Group has hired the Devos Group to replace these old gas engines with Siemens next-generations electric motors, to obtain a reliability of electric motors similar to that displayed by the Jenbacher engines installed for the Group's power generation. Three gas engines will therefore be replaced by electric motors by 31 December 2018.

The Group will thus continue to optimize these facilities to maximize the expected operating margin at these 4 sites.

At the same time, the Group has been granted an exclusive permit to operate combustible gas at the Anderlues site in Wallonia, Belgium, for an initial period of 20 years.

The operation of this former underground natural-gas storage reservoir site is thus the Group's first international development.

This area of Anderlues contains large volumes of gas found in the former mining galleries. La Belgian subsidiary of the Group, Gazonor Benelux, will harness this energy through short channels in the form of gas, electricity and heat.

This local valuation model, already successfully established by the Gazonor subsidiary, is an ecologically and economically solution that is truly competitive.

Financially, the Group reached significant maturities in fiscal year 2018.

The Group's subsidiary, Gazonor Holding, has secured 3 million euros in financing from CAP 3RI, an investment company dedicated to the Third Industrial Revolution in Hauts-de-France. This is the largest investment made by this investment company financed by the Hauts-de-France Region and the European Investment Bank and specialised in ecological transition and short channels.

This investment will enable Gazonor, a wholly owned subsidiary of LFDE, to continue its development by actively contributing to this Third Industrial Revolution seeking to make Hauts-de-France a pioneering territory of tomorrow's economy.

This transaction was carried out on the basis of a pre-money valuation of 63 million euros at the level of Gazonor Holding, through the issuance of 6,383 bonds convertible into Gazonor Holding shares, to which is attached a 5% interest rate, each of the bondholders having the right to exercise all or part of a conversion right at the rate of 1 share of Gazonor Holding for 1 convertible bond. The maturity of this bond is 31 December 2024.

A non-conversion premium is also included in the bond contract, the amount being based on the consolidated gross operating profit and the consolidated net debt of Gazonor Holding, Gazonor and Gazonor Benelux, according to a defined formula, with a minimum rate of 3% per year, capitalized.

On 09 May 2018, the Group also secured the establishment, via its subsidiary Gazonor SAS, of a syndicated bank loan from Bpifrance Financing and SaarLB, amounting to 6.4 million euros at an average rate of 2.39%. This is the first bank loan taken out by the Group or one of its subsidiaries.

This credit, due on 02 April 2024 and linearly depreciable over a 6-year period, is yet another example of Bpifrance Financement's and SaarLB's commitment to the development of green energy in France. This intervention validates, once again, the Group's business model and gives it the means to continue its strong growth.

The following special conditions are attached to this bank loan:

- A reserve account is set up for €725K and represents a cash account frozen in the Books of SaarLB used for the debt service reserve and provided for the benefit of the lenders, until the maturity of the loan. This account carries interest at the rate paid to matching deposits.
- Gazonor undertakes not to grant any credit, advance or loan in any form or of any kind to any individual or legal person, except:

- Existing advances to Group members on the date of signing the loan agreement,
- From an additional advance of up to €3,600K to one or more members of the Group, by 31 December 2018,
- From current account or cash advances to other Members of the Group authorized by lenders. This cash upturn may not occur until the end of the fiscal year ended 30 June 2019.
- Credits and payment periods granted to its co-contractors in the normal course of business and up to a maximum of €100K.

As of 30 June 2018, based on the strict cash advances made by Gazonor to La Française de l’Energie, the additional maximum advance that can still be made before 31 December 2018 amounts to 2.2 million euros.

This loan is finally accompanied by a financial ratio to be met, known as the DSCR ratio, for any 12-month period ending the end of each fiscal year. This is a debt service hedging ratio, corresponding to the “potential cash generated/total debt service” ratio, which is expected to remain above 1.3. This ratio will be tested as of 30 June 2019.

(iii) Significant events since the close of the fiscal year

The necessary procedures for the implementation of a tax integration on 01 July 2018 with La Française de l’Energie as the leading integration company were carried out on the date of preparation of the Consolidated Financial Statements. This integration will include Gazonor Holding, Gazonor, EG Lorraine and EG NPC.

A free share-allocation plan similar to the two plans agreed in 2016 and 2017 was implemented following a decision by the Remunerations Committee on 09 July 2018, with a decision to award a total of 8,420 shares.

(iv) The Company’s exploration and development activities

In accordance with Article L. 232-1 of the Commerce Code, we inform you that the Company has not carried out any exploration and development activities in the past fiscal year other than that of gas prospection and exploration as described in the “State and Evolution of the Company and the Group’s Business” above.

Some of this exploration is being developed as part of the Lorraine gas resources project (REGALOR, for “*REssources GAzières de LORraine*”), which has been selected as one of the flagship projects by the Grand Est Region under the regional “State Lorraine Pact (*Pacte État Lorraine* - Action 8)” and priority axis Valley of Materials and Energy “Regional Competitiveness and Employment” of the FEDER-FSE Lorraine and Massif des Vosges 2014-2020 programme. This exploration carried out with the support of the UMR UL-CNRS Geo-resource Laboratory, under the co-tutelage of the CNRS and the University of Lorraine, aims to accelerate the implementation of an industrial-scale demonstrator for the coal-fired gas production and develop it in short channels.

3.2 PRESENTATION OF THE COMPANY'S FINANCIAL STATEMENTS

The Company's financial statements for the year ended 30 June 2018, which we submit to your approval, have been prepared in accordance with the presentation rules and evaluation methods provided for by the regulations in force, according to French standards, in accordance with Regulation No. 2014-03 of the Accounting Standards Authority, dated 05 June 2014, relating to the General Accounting Plan, as well as by subsequent regulations amending certain articles.

These rules and methods are identical to those of the previous year ended 30 June 2017, with the exception of the new Regulation 2015-05 on Financial Forward Instruments and Hedging Operations applied for the first time in the year ended 30 June 2018. Its application has led to recognizing a net foreign-exchange gain of €16K in operating income, not in financial income. The implementation of this new regulation would not have had a significant impact on the previous year's financial statements.

The Company's financial statements for the year ended 30 June 2018, including the Balance Sheet, income statement and ancillary notes, are in Section 8.1 of this report.

3.2.1 Income Statement

Fiscal year ended 30 June 2018	Notes	30 June 2018	30 June 2017
		€	€
Revenues			
Inventoried products/Capitalised production			
Operating subsidies			
Reversals of provisions and depreciation, transfers of expenses		16,012	16,012
Other revenues	3.2.2	889,732	, 557,209
Total operating revenues		905,744	573,221
 Purchases of goods and raw materials			
Inventory changes			
Other purchases and external expenses	3.2.3	(1,021,822)	(1,510,641)
Taxes and similar levies		(26,785)	(16,871)
Wages and salaries	3.2.3	(1,009,328)	(954,561)
Social contributions	3.2.3	(422,714)	(587,422)
Depreciation and amortization		(9,945)	(15,716)
Appropriations to provisions	3.2.3	(319,320)	
Other expenses		(104,340)	(100,000)
Total operating expenses		(2,914,254)	(3,185,211)
Operating result		(2,008,510)	(2,261,990)
 Financial revenues	3.2.4	1,871	12,940
Financial allocations for depreciation and amortization	3.2.4	(874,636)	
Financial expenses	3.2.4	(89,254)	(54,978)
Financial result		(962,020)	(42,038)
 Exceptional revenues	3.2.5	3,613,355	2,547,854
Exceptional expenses	3.2.5	(1,302,684)	
Exceptional result		2,310,672	2,547,854
 Employee profit-sharing			
Income taxes			
Net result		(659,858)	(108,174)

3.2.2 Turnover – Other revenues

During the year ended 30 June 2018, the Company did not generate any revenue. As recalled in the “Significant events of the year” section of this report, it expects its first gas sales in fiscal year 2019.

For the year ended 30 June 2018, the Company recorded other revenues of nearly €890K, compared to a total of €557K in the previous year. These are mainly services billed to the subsidiary Gazonor, mainly the personnel and structural costs incurred by La Française de l’Energie for the benefit of its subsidiary. This re-billing is carried out on the basis of the actual costs recorded with the application of a mark-up of 5% corresponding to a remuneration of full competition.

Breakdown of other revenues	30 June 2018	30 June 2017
	€	€
Services – Gazonor	815,507	557,209
Re-billing projects in partnership	15,213	
Foreign-exchange gains	20,745	
Sundry income on current management	38,267	
Total Other revenues	889,732	557,209

3.2.3 Operating expenses

Other purchases and external expenses were down significantly in fiscal year 2018, with an annual total of €1,022K compared to €1,511K in the previous year. This decrease is mainly due to insurance, communication, travel, legal fees and IT costs. The Company continues its desire to control its structural costs, this will also be reflected in the evolution of staff and social charges.

In fact, in the year ended 30 June 2018, these staff and payroll expenses amounted to €1,432K, including compensation on transactions concluded for €67K, compared to €1,542K in fiscal year 2017.

Finally, the “appropriation to provisions” charge recorded for the year ended 30 June 2018 is up sharply from 2017, reaching €319K compared to a zero balance in the previous year. This charge essentially includes a write-down for impairment on exploration assets (intangible assets) of €220K and €74K, respectively, for exploration costs associated with the Lons-le-Saulnier and Gardanne. These costs have been depreciated as the Company does not expect them to be able to generate cash flows in the near future and attributes no market value to them. The administrative situation of some associated permits and the ongoing litigation proceedings as of 30 June 2018 were also taken into account.

3.2.4 Cost of financial indebtedness and other financial expenses

The elements that make up the financial result are:

Financial revenues	30 June 2018	30 June 2017
	€	€
Interest on current accounts	1,871	
Foreign-exchange gains		12,940
Depreciation on equity securities	(868,544)	
Depreciation on equities (liquidity accounts)	(6,092)	
Interest expense	(89,255)	(54,978)
Total financial result	(962,020)	(42,038)

For the year ended 30 June 2018, the financial result was mainly the depreciation of 100% of the securities held in EG Lorraine (100% of the capital). This company had negative equity at the end of 2018, and the outlook for a foreseeable horizon does not suggest any profitability in the near future.

Other elements of the financial result are mainly interests paid on loans.

3.2.5 Exceptional result

The Company's social accounts show an exceptional result of €2,311K, related mainly to the following two elements:

- In accordance with the "Reorganization and Cooperation Agreement" signed on 25 June 2015, EGL UK had committed, among other provisions and subject to the completion of an IPO by the Group, to gradually renounce the sums due by the Group since 2014 in respect of the sale of mining assets and securities.

As part of this contract, two debt waivers were granted by EGL UK in the year ended 30 June 2018, i.e. €1,000K on 31 December 2017 and €1,544K on 02 April 2018, recorded as exceptional products. These two waivers followed one of €2,400K in the year ended 30 June 2017.

As of 30 June 2018, and as a result, the balance owed EGL UK by La Française de l'Energie stands at zero.

- An exit from the costs related to the assets found on existing permits in the Hauts-de-France area was recorded in exceptional charges for €990K due to their status and their prospects in terms of benefits economic growth. This decision to exit costs resulted in compensation from Gazonor, which was recorded as an exceptional product of €807K, in the accounts for the year ended 30 June 2018.

This transaction was carried out on the basis of an analysis of the costs involved, related to the Poissonnière, Valenciennois and Sud-Midi licences, and in view of the decision taken at the time of the acquisition of Gazonor by La Française de l'Energie (June 2016) to settle definitively the old sharing agreements that existed between La Française de l'Energie and Gazonor for the evaluation and production of gas recovered directly from coals, the CBM.

3.2.6 Net income

The result for the year ended 30 June 2018 resulted in a net loss of €659,858 compared to a net loss of €106,174 in the previous year.

3.2.7 Balance Sheet

As of 30 June 2018	Notes	Gross 30 June 2018 €	Depreciation, provisions €	Net 30 June 2018 €	Net 30 June 2017 €
Concessions, patents and similar rights		28,688	14,288	14,400	19,200
Other intangible assets		41,943,279	294,320	41,648,959	41,633,507
Plant and equipment		17,909	15,696	2,213	3,989
Other tangible assets		25,798	24,045	1,753	5,123
Other investments		1,018,548	868,544	150,004	1,018,548
Receivables from equity interests		17,951,038		17,951,038	17,951,038
Other long-term investments		153,720	6,092	147,628	206,149
Other financial assets		12,158		12,158	12,158
Fixed assets		61,151,139	1,222,985	59,928,154	60,849,712
Inventories					
Advances and prepayments on orders		46,110		46,110	
Trade and related receivables		2,360,563		2,360,563	1,227,353
Other receivables		1,528,184		1,528,184	2,707,352
Liquid assets		638,323		638,323	538,285
Current assets		4,573,180		4,573,180	4,472,991
Prepaid expenses		240,489		240,489	139,515
Amortisation of issue costs		122,896		122,896	
Total Assets	3.2.7	66,087,703	1,222,985	64,864,719	65,462,218

As of 30 June 2018	Notes	30 June 2018 €	30 June 2017 €
Social capital		5,065,174	5,065,174
Issue premiums		44,169,671	44,169,671
Legal reserve		105,762	105,762
Other reservations		72,142	72,142
Postpone again		522,613	628,787
Earnings for the year		(659,858)	(106,174)
Investment grants		250,000	
Equity		49,525,504	49,935,363
Risk provisions		25,000	
Expense provisions		1,240,629	900,696
Provisions for risks and expenses		1,265,629	900,696
Miscellaneous borrowings and financial debts		8,847,029	5,313,462
Supplier debts and related accounts		923,915	1,863,667
Tax and social debts		870,330	622,438
Capital debt and related accounts		3,352,921	6,784,173
Other debts		67,093	38,784
Debts		14,061,288	14,622,524
Passive conversion gap		12,298	3,635
Total Liabilities	3.2.7	64,864,719	65,462,218

The significant elements of the Balance Sheet as of 30 June 2018 are:

- In fiscal year 2018, acquisitions related to exploration assets (other intangible assets) reached €960K, mainly related to work carried out at the Lachambre site. The provision for

reclamation increased by €340K due to its update and update by 2040. The relative stability of the net worth of exploration assets on the Balance Sheet, from €41,634K to €41,649K in one year, is explained by the asset outflows and impairments observed, as recalled in parts 3.2.3 and 3.2.5 of this report.

The details of these exploration assets by permit and concession are presented in part 3.3.8 of this report.

- The decrease in other holdings is related to the 100% impairment of the value of EG Lorraine's securities.
- The customer balance consists almost entirely of the invoices to be made to Gazonor as of 30 June 2018, both related to the re-billing of services and compensation as a result of an agreement between the two companies and relating to the settlement the sharing of permits for Hauts-de-France with support by Gazonor for €807K out of the initial cost of €990K.
- Miscellaneous borrowings and financial debts increased from €5,313K to €8,847K, and as of 30 June 2018, they consist of:
 - A 4,251 Shareholder loan at year's end, taking into account new inflows of nearly 1.2 million euros for the year, as well as paid commissions and interest due. The maturity of this loan has been extended to 27 December 2019.
 - Gazonor current account with a credit balance of €4,596K at 30 June 2018, compared to a debit balance of €526K a year earlier.
 - As of 30 June 2017, in addition to the shareholder loan, the loans also included the balance of the loan with EGL UK for €2,558K, zero at the end of 2018 after two debt waivers.
- Finally, supplier debts, including fixed-asset providers, fell sharply, to 4.3 million euros at 30 June 2018 compared to 8.6 million euros at the end of 2017. This year-end balance takes into account an amount of 2.4 million euros still due Entrepose Drilling with which the Company is currently challenging.

3.3 PRESENTATION OF GROUP CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated Financial Statements for the year ended 30 June 2018 that we submit to your review have been established in accordance with IFRS (International Financial Reporting Standards), as published by the IASB and adopted by the European Union, and applicable on the closing date of 30 June 2018.

The Group's consolidated Financial Statements for the year ended 30 June 2018 are in Section 9.1 of this report.

3.3.1 Consolidated Income Statement

Fiscal year ended 30 June 2018	Notes	30 June 2018	30 June 2017
		€	€
Turnover	3.3.2	6,650,531	3,676,470
Cost of goods and services sold		(2,249,943)	(682,807)
Gross margin		4,400,588	2,993,663
Other operating products		125,627	474,647
Business expenses		0	0
Administrative expenses	3.3.3	(6,076,240)	(5,678,392)
Other operating expenses		(62,428)	0
Amortization and depreciation	3.3.4	(2,055,846)	(481,952)
Net allocations on provisions	3.3.4	874,320	(192,513)
Other revenue/charges		14,000	0
Operating income		(2,779,979)	(2,884,547)
Financial products	3.3.5	12,298	0
Cost of gross financial indebtedness	3.3.5	(386,868)	(496,343)
Other financial expenses	3.3.5	(54,391)	(3,629)
Share in the result of joint ventures		0	0
Earnings before taxes		(3,208,941)	(3,384,519)
Current and deferred taxes	3.3.6	1,937,011	1,059,747
Net income from discontinued operations			
Net income		(1,271,930)	(2,324,772)
Net income, Group share		(1,271,930)	(2,324,772)
Net income, interest share not giving control		0	0
<i>Earnings per share</i>			
- Basic earnings per share		-0.25	-0.46
- Diluted earnings per share		-0.25	-0.46

3.3.2 Turnover

For the year ended 30 June 2018, the Group achieved a turnover of €6,650K, an increase of 81% compared to the previous year (€3,676K). The Group's sales were made entirely through its subsidiary Gazonor and its production sites located in the Hauts-de-France region, corresponding to the production and sale of green gas and electricity to its customers, Total Gas and Power, and EDF Obligations d'Achats.

The strong increase in fiscal year 2018 was mainly due to electricity sales, which began production in July 2017 with the commissioning of engines dedicated to this activity.

Breakdown of turnover	30 June 2018	30 June 2017
	€	€
Gas sales – Gazonor site	2,314,058	3,676,470
Green electricity sales – Gazonor site	4,336,473	0
Turnover for the year	6,650,531	3,676,470

3.3.3 Other operating expenses

General and administrative expenses increased by 7% between fiscal year 2017 and 2018, from €5,678K to €6,076K.

General and administrative expenses	30 June 2018	30 June 2017
	€	€
Outsourcing and technical services	164,774	144,727
GRT injection gas mix	231,305	231,706
Rentals	197,280	162,085
Maintenance	840,425	134,816
Legal fees	389,134	362,638
Other fees	421,627	451,721
Outside staff	28,269	100,418
Travel	95,621	190,355
Communications	152,711	242,701
Banking services	92,144	17,955
Insurance	110,215	163,183
Software and IT	78,386	169,385
Other costs	293,612	292,985
Taxes and duties, excluding Income Tax	133,867	113,852
Staff costs	1,913,104	2,001,054
Free shares	933,766	898,811
Total general and administrative expenses	6,076,240	5,678,392

This increase is related mainly to the “Maintenance” position, the annual total of which rose by €706K compared to the year ended 30 June 2017. This development is due to the one-off problems at the Gazonor gas-production site between November 2017 and April 2018. Minus this element, general and administrative expenses decreased by 6% in fiscal year 2018. The Group continued its efforts to rationalize all its structural costs, in particular staff costs, which decreased slightly in the year ended 30 June 2018 (these charges are detailed in Note 2.3. of the Annex to the Consolidated Financial Statements).

The costs of goods and services sold include costs directly related to the production of gas and electricity by the Gazonor sites, which this year was also impacted by maintenance issues between November 2017 and April 2018.

3.3.4 Amortizations and net allowances on provisions

The amortization and impairment charge for impairment for the year ended 30 June 2018 was up sharply from 2017, reaching €2,055K compared to €482K in the previous year. This charge focuses on two elements:

- Depreciations for impairments on exploration assets were recorded in fiscal year 2018 for amounts of €990K, €220K and €74K, respectively, relating to exploration costs associated with the Nord-Pas de Calais, Lons-le-Saulnier and Gardanne areas. These costs have been depreciated due to their non-strategic nature, as the Group does not expect them to be able to generate cash flows in the near future and not attribute any

market value to them. The administrative situation of some associated permits and the ongoing litigation proceedings as of 30 June 2018 were also taken into account.

- A depreciation charge of €576K was recorded in the Group's accounts in connection with the facilities used at the Gazonor sites, compared to €250K in fiscal year 2017. This increase is related to the commissioning of Jenbacher's 6 engines at the Sites of Lens, Avion, Divion and Louches

The net allocations of repossessions on provisions include in particular a recovery of €785K related to the provision for large revisions observed on the subsidiary Gazonor. This recovery stems in particular from the engine changes currently in use at Avion's gas production site, with the Group moving from gas engines to electric motors, at the beginning of fiscal year 2019.

3.3.5 Cost of financial indebtedness, financial result

The main components of the financial result are:

Financial result	30 June 2018	30 June 2017
	€	€
Accretion of EGL UK loan	179,803	458,067
Costs of gross financial indebtedness	207,429	3,366
Latent foreign-exchange gains and losses	(12,298)	3,629
Endowments on financial assets (liquidity contract)	6,092	0
More/loss on financial assets	47,936	34,910
Total financial result	428,962	499,972

For the year ended 30 June 2018, the cost of financial indebtedness consists of interest expense on the financings obtained or continued by the Group, i.e. the bond loan set up at the level of the subsidiary Gazonor Holding, bank credit with Landesbank SAAR and Bpifrance Financement and the shareholder loan. In the previous year, only the shareholder loan had just been partially obtained by the Group.

The accretion charge of the EGL UK loan corresponds to the treatment chosen for the accounting of this interest-free loan, i.e. its discounting on the basis of an interest rate of 15% and a discount charge recorded each year. The decrease in the amount for fiscal year 2018 is related to the decrease in the face value of the loan at the beginning of the year and its total abandonment on 2 April 2018 (see Note 3.12 of the Schedule to Consolidated Financial Statements).

3.3.6 Tax issues

For the year ended 30 June 2017, the Company recorded deferred tax assets of €1,291K and deferred tax liabilities amounting to €6,263K and recorded a positive net change of €1,942K

(current tax of €5K for the Company in Luxembourg). The deferred-tax asset bases are essentially deferred deficits deemed to be recoverable in the a near horizon.

As of 30 June 2018, deficits that have not yet been used and have not resulted in the accounting of active deferred taxes represent deferred amounts of €924K for companies located in France and €11,635K for the Luxembourg-based company.

Future tax savings related to the possibility of over-depreciating certain industrial assets in France were also not seen overall for the year ended 30 June 2018 but will be as the underlying depreciation is returned. The relevant base amounts to €1,646K at 30 June 2018.

The deferred tax initially recorded on mining reserves as a result of the allocation of goodwill related to the acquisition by La Française de l’Energie of the Transcor Group (i.e. LFDE International / Gazonor Holding / Gazonor) is taken up annually at the same than the underlying depreciation. Initially calculated at the rate of 28%, this passive deferred tax was recalculated on the basis of the new rates adopted in France (25.08%).

A positive change of around €600K of recognized deferred taxes in fiscal year 2018 stems from the impact of changes in tax rates following the adoption of the 2018 finance law by France at the end of December 2017.

3.3.7 Consolidated net income

Consolidated net income for the year ended 30 June 2018 was a loss of €1,271K compared to a loss of €2,325K in the previous year, an improvement in earnings of €1,054K.

This improvement was due to a net revenue growth of 81% between 2017 and 2018, with non-recurring general expenses stabilizing. On the other hand, this development is the result of several exceptional items observed this year: depreciation of costs and cost outflows on permits activated for about 1.3 million, resumption of provision for major revision at Gazonor 0.8 million, a positive effect of the change in tax rates of nearly 0.6 million. The one-time maintenance problems on Gazonor should also be mentioned as they significantly weighed down on the financial and net results for the year, with an estimated impact of approximately 0.9 million.

3.3.8 Capitalized expenses

The analysis of the Group’s Income Statements above does not fully reflect the amounts spent on prospecting fees on existing permits, as they are capitalized and therefore do not appear in the Company’s income statement.

The cumulative capitalized exploration costs associated with the Company’s exploration permits as part of the Lorraine project are presented in the table below:

Lorraine (Greater East)		Status	30 June 2018	30 June 2017
			€	€
Bleue Lorraine	Renewed until 30 November. 2018		40,105,340	39,149,341
Bleue Lorraine Sud	Litigation		302,990	299,103
Total – exploration assets (Lorraine)			40,408,330	39,448,444

The significant amount of expenses capitalized and recorded for the PER Bleue Lorraine reflects the cost of drilling campaigns undertaken during the period 2013 to 2017 and more recently drilling and testing production in Lachambre.

Furthermore, following the acquisition of Concorde in the year ended 30 June 2016, the Group also holds the following PER:

Paris Basin		Statutes	30 June 2018	30 June 2017
			€	€
La Folie de Paris	Renewed until 07 August 2021		2,091,770	1,941,770
Total – exploration assets (Paris Basin)			2,091,770	1,941,770

Finally, as mentioned in part in this report, the costs previously activated in the context of the PER holders in the Pas-de-Calais, Lons-le-Saulnier and Gardanne areas, were depreciated at 30 June 2018, considering the absence of economic exploitation prospects over the foreseeable horizon.

The cumulative exploration costs capitalized by the Company as part of the exploration program in Nord-Pas-de-Calais relate mainly to seismic reprocessing work, permit applications, reprocessing data and Petrel software modelling.

Expenditures related to activities at Gardanne and Lons-le-Saunier port were mainly related to geological studies and other mining work carried out in the past.

3.3.9 Consolidated Balance Sheet

Fiscal year ended 30 June 2018	Notes	30 June 2018	30 June 2017
		€	€
ASSETS			
Goodwill		0	0
Exploration assets	3.3.8	43,740,729	43,646,477
Other intangible assets		14,400	19,200
Proven mining rights		24,966,162	25,150,999
Other tangible assets		5,943,240	5,832,829
Participation in joint ventures		0	0
Non-current financial assets		924,256	219,817
Deferred tax assets	3.3.6	1,290,516	776,162
Non-current assets		76,879,303	75,645,484
Inventories		284,590	506,558
Trade and related receivables		888,646	232,521
Other current assets		2,040,477	2,495,427
Prepaid and deferred expenses		348,788	241,733
Cash and cash equivalents		3,776,781	790,017
Assets to be sold or traded		0	0
Current assets		7,339,282	4,266,256
Total Assets		84,218,585	79,911,740
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		5,065,174	5,065,174
Share premium reserve		44,169,671	44,169,671
Treasury shares		0	0
Other reserves		5,294,132	5,376,215
Net income, Group's share		(1,271,930)	(2,324,772)
Other equity items		6,574	0
Minority interests		0	0
Shareholders' Equity		53,263,621	52,286,288
Non-current financial debt		12,394,938	1,803,557
Non-current provisions		3,693,680	4,379,114
Provisions for pension commitments		15,170	19,107
Deferred tax liabilities	3.3.6	6,262,540	7,030,795
Other non-current liabilities		260,095	0
Non-current liabilities		22,626,423	13,232,573
Current financial debt		1,155,955	2,755,615
Current provisions		133,082	0
Trade and related payables		2,464,083	2,420,627
Fixed-asset suppliers		3,584,698	8,605,848
Other current liabilities		990,723	610,789
Current liabilities		8,328,541	14,392,879
Total Shareholders' Equity and Liabilities		84,218,585	79,911,740

3.3.10 Consolidated Cash Flows

Fiscal year ended 30 June 2018	Notes	30 June 2018	30th June 2017
		€	€
Operating activities			
Consolidated net income		(1,271,930)	(2,324,772)
Tax expense and deferred-tax changes	3.3.6	(1,937,011)	(1,059,747)
Net depreciation and impairment of intangible and tangible fixed assets	3.3.4	2,055,846	481,952
Net allocations on provisions	3.3.4	(863,400)	192,513
Capital gains/losses on asset disposals		33,935	34,910
Change in operating working capital requirement		(399,248)	(1,744,828)
Change in WCR – Other assets and liabilities		944,832	(444,929)
Expense related to free stock award plan		933,766	898,810
Cost of gross long-term debt		386,868	496,343
Taxes paid		(4,815)	(4,815)
Other non-monetary items		0	(65,005)
CASH FLOWS FROM OPERATING ACTIVITIES		(121,157)	(3,539,568)
Investment activities			
Capitalised exploration costs	3.3.8	(959,886)	(11,369,632)
Tangible and intangible investments		(692,265)	(5,490,881)
Proceeds from disposal of tangible and intangible assets		14,000	0
Change in fixed-asset supplier debts		(5,021,150)	6,612,927
Change in receivables on asset disposals		(9,000)	0
Acquisition of financial assets		0	(115,319)
Disposal of financial assets		4,256	0
CASH FLOWS FROM INVESTMENT ACTIVITIES		(6,664,045)	(10,362,905)
Financing activities			
Bond subscription		3,000,010	0
Borrowings and financial debts (excluding fees)		6,899,894	2,752,249
Repayment of loans and financial debts		(13,488)	(21,931)
Cost of net debt: interests paid		0	0
Charges paid on loans		(115,000)	0
CASH FLOWS FROM FINANCING ACTIVITIES		9,771,416	2,730,318
NET CHANGE IN CASH FLOWS		2,986,214	(11,172,155)
Net cash and cash equivalents at beginning of the period		790,017	11,962,172
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		3,776,231	790,017

The net cash at the close presented in the Consolidated Cash Flow Table consists of net bank accounts of current bank contests, cash accounts and the cash share from the liquidity contract implemented by the Group.

As of 30 June 2018, of the cash belonging to the Gazonor entity, i.e. 3.1 million euros, an amount of 2.2 million euros can still be made available to the other entities of the Group in the form of additional advances before 31 December 2018. The balance cannot be raised until the minimum date of 30 June 2019, after authorization from lenders and in compliance with the financial ratios in effect on that date (see note 3.12 of the Annex to the Consolidated Financial Statements).

3.4 FUTURE PROSPECTS

Following the obtaining of the operating permit issued by the Public Service of Wallonia in May 2018, the Group, through its subsidiary Gazonor Benelux, successfully carried out production tests on the Anderlues site.

The latter aim to validate the available mine gas reserves in order to finalize the sizing of the production facilities to be installed on the site. These reserves are currently estimated at nearly 300 million m³, equivalent to about 13 years of gas consumption for a city like Anderlues. Results will be released in November 2018.

The contract to supply gas to Total Gas and Power from the Avion site has been renewed under slightly improved conditions compared to the previous contract.

The Company considers that the prospects for the development of the Group's activities are particularly attractive both from a macro point of view with a bullish gas market but also from a micro point of view with a very positive operational dynamic.

As reported last year, Britain's exit from the European Union increases Europe's dependence on Russian, Norwegian, Qatari, Algerian and US shale gas imports, which are beginning to arrive in the form of LNG, by almost 80%.

In France and Belgium, the two countries where the Group has positioned itself, the energy supply situation is particularly tense due to dependence on nuclear energy. Indeed, the problems of the availability of nuclear power plants lead electricians to run the gas plants over and above what is regularly anticipated by the market.

Fiscal year 2018 was marked by a strong upward change in both demand and gas prices in France. This positive trend seems to continue, given the ever-increasing supply situation dependent on imports.

Our activity, which focuses on the production of clean gas resources for the benefit of the people and industrialists involved in our activity through the implementation of short channels, is a concrete solution to reduce the carbon footprint and the security of supply of the regions concerned by replacing imported gas with cleaner local gas to capture added value in our territories, the former mining basins on which our business focuses.

In the Hauts-de-France, revenues from the sale of gas to Total Gas and Power at the Avion site are expected to improve significantly following the ongoing replacement of gas engines with next-generation Siemens electric motors. These engines aim to greatly improve the availability of machines in order to significantly increase the volumes of gas injected into the GRT Gas network and converted into green electricity via the 3MW of cogeneration (Jenbacher) installed on the site.

4 1.5-MW engines, identical to those already installed, were ordered from 2G this summer to prepare for the next growth phase in green electricity production. These engines will be distributed between France and Belgium according to the progress made on the development of the various selected sites. The Group believes that the installation of small gas engines at various sites in the basin contributes significantly to the objective of reducing the carbon footprint of the territories concerned through this local supply of decentralised energy.

In addition, the Group continues to expand its business in Belgium and wishes to finalize the completion of at least one additional concession in the next twelve months.

In Lorraine, the first gas sales revenue from the Lachambre site are expected in 2019 ahead of the start-up of new sites in Moselle. The certification of reserves by the end of the year will confirm the development plan for the filing of the concession application scheduled for the end of November 2018.

The Group is actively considering the possibilities of deploying its know-how on the implementation of short channels for the recovery of local energy on projects such as solar thermal, photovoltaic or biogas. to optimize the use of its land assets in the Grand-Est region.

Growth opportunities in Germany and Poland continue to be reviewed with the aim of continuing our international development on gas assets in production or close to production.

At the financial level, the Group's General Management regularly reviews its financing options to ensure that business continuity remains assured, taking into account, among other things, the maturity of its various assets and liabilities and its forecast cash flows, including those from its gas and electricity sales.

The Group's operating cash flow for fiscal year 2018 amounted to (€121K), including exceptional gas maintenance and purchases during the year at the Gazonor gas production. Excluding these transactions, these operating cash flows are positive for the year ended 30 June 2018. In the year ended 30 June 2018, the Group generated monthly revenues of €550K on average and managed to reduce its general and administrative expenses, excluding exceptional items mentioned above, by almost 6%.

On the closing date and the preparation date of its consolidated financial statements, the Cash Flows generated by the Group on its operating activities are positive each month.

The Group's management's forecasts and estimates of its ability to continue operating are based in particular on the following factors: stability of general and administrative expenses, continued gas production at Gazonor according to the planned plans and assumptions (changes in gas prices, quantity and quality of on-site volumes), the installation of three electric motors at the Avion (Gazonor) site in place of the old gas engines by 2019, implementation of several investment projects (finalization of the sizing of surface installations at the Lachambre site for an estimated first production at the end of fiscal year 2019, installation of cogenerations on the Anderlues site for electricity and heat generation in the second half of fiscal year 2019). For these investments, the Group is exploring the acquisition of various sources of funding and may consider shifting them if necessary.

For the year ended 30 June 2019, the forecasts made by General Management of the Group are based on a turnover of nearly 8.5 million euros for sales of gas and green electricity by Gazonor, the Lorraine and Belgian sites ahead of them start their marketing phase for about 0.8 million euros. Operating expenses are estimated at 7.4 million euros, representing an operating cash flow and a cash flow of nearly 2 million euros. At the same time, the Group does not anticipate any significant change in its working capital requirement.

As of 30 June 2018, the Group's cash position was positive for 3.8 million euros. At the same time, supplier debts decreased considerably, from 11 million euros at 30 June 2017 (including 1.5 million euros in unsuccessful invoices) to decrease to 6.1 million euros at 30 June 2018. Above all, this balance still takes into account an amount of more than 2.4 million euros in disputed invoices against Entrepose Drilling; this dispute will not be resolved before 30 June 2019.

In terms of financing, the Group was able to count on several sources of financing during the year ended 30 June 2018:

- The bond loan implemented at the level of Gazonor Holding, obtained from the Cap3Ri fund for 3 million euros.
- The bank credit of 6.4 million euros jointly granted by Landesbank SAAR and Bpifrance Financement.
- The increase in the shareholder loan for 1.2 million euros in fiscal year 2018 with an extension of its maturity extended to 27 December 2019.

Based on these data and forecasts, the Group considers that it has the capacity to continue its operating activity in fiscal year 2018-2019, to meet its cash requirements, to settle its debts on its Balance Sheet while it continues to implement its expansion policy.

4 CORPORATE GOVERNANCE

Preliminary comments

In accordance with Order No. 2017-1162 of 12 July 2017 and Decree No. 2017-1174 of 18 July 2017 applicable to the year initiated as of 01 January 2017, the Chairman's report on internal control and risk management is deleted. A report on corporate governance, prepared by the Board of Directors, replaces it.

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

The ordinary and extraordinary General Assembly of 22 December 2018 has appointed Mr Antoine Forcinal as director, the latter being Managing Director of La Française de l'Energie .

4.1 MiddleNext CORPORATE GOVERNANCE 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 2018, none of the Company's shareholders have direct or indirect control of the Company's Articles L. 233.3 and following of the Commerce Code.

4.3 CUMULATIVE DUTIES CHAIRMAN AND CEO

Under the 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 9 times during the year.

The average annual attendance rate for directors at meetings held during the year is 82%.

For each director, the attendance rate is shown in the table below:

Administrators	ATTENDANCE RATE
Mr Julien Moulin	100%
Mr Antoine Forcinal	80%
Mr Jean Fontourcy	100%
Mr Christophe Charlier	67%
Mr Alain Liger	100%
Mrs Cécile Maisonneuve	44%

4.4.2 Appointment and duration of directors' terms

The members of the Board are appointed by the shareholders' meeting, on the proposal of the Board, which itself receives the proposals of the Committee of Appointments and Remuneration. Board members may be removed at any time by decision of the general assembly.

In accordance with the MiddleNext 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 sustainable cooperation.

4.5 COMPOSITION OF BOARD OF DIRECTORS

As of 30 June 2018, the composition of the Board of Directors is as follows:

First and Last Names (Date of birth, nationality)	Appointment date and term of mandate	Positions within the Group	Other mandates and positions held outside the Group over the past five years
<i>Administrators</i>			
Mr Julien Moulin <i>(Born 12 DEC 77, of French nationality)</i>	<u>Appointment date</u> : 23 March 2016 <u>Term</u> : Annual General Assembly on Financial	- Chairman and CEO of the Company; - Chairman of EG Lorraine SAS;	- Director of Maoming SPV; - Director of Nextgen Energy Limited; - Director of European Gas Limited;

First and Last Names (Date of birth, nationality)	Appointment date and term of mandate	Positions within the Group	Other mandates and positions held outside the Group over the past five years
	Statements for the year ended 30 June 2021.	<ul style="list-style-type: none"> - Chairman of EG NPC SAS; - Chairman of Gazonor SAS 	<ul style="list-style-type: none"> - Director of Maoming Investment Manager Ltd (until 2016); - Director of Maoming Investment Advisors Ltd (until 2016); - Director of Toros Resources Limited (until 2016);
Mr Antoine Forcinal	<u>Date of Appointment:</u> 23 March 2016 <u>Term:</u> Annual General Assembly on Financial Statements for the year ended 30 June 2023. <u>Appointment as Manager,</u> General Assembly, 22 December 2017	Deputy and Manager	<ul style="list-style-type: none"> - Deputy General Manager of Foxtrot International (Republic of Côte d'Ivoire) (until 2015);
Mr Jean Fontourcy (Born on 21 NOV 1938, of French nationality)	<u>Date of Appointment:</u> 23 March 2016 <u>Term:</u> Annual General Assembly on Financial Statements for the year ended 30 June 2021.	<ul style="list-style-type: none"> - Director of the Board of Directors and Chairman of the Remunerations 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 directors			
Mr Christophe Charlier (Born on 24 APR 1972, of French nationality)	<u>Date of Appointment:</u> 23 March 2016 <u>Term:</u> Annual General Assembly on	<ul style="list-style-type: none"> - Director of the Board of Directors and Chairman of the Audit and 	<ul style="list-style-type: none"> - Chairman of Renaissance Capital - Administrator of the Brooklyn Nets;

First and Last Names (Date of birth, nationality)	Appointment date and term of mandate	Positions within the Group	Other mandates and positions held outside the Group over the past five years
	Financial Statements for the year ended 30 June 2021.	Accounts Committee	<ul style="list-style-type: none"> - Chairman of the Board of Directors, Pure Grass Films; - Administrator of Barclays Center - Chairman of the Board of Directors, LeCastle (until 2015); - Director of UC Rusal (until 2014); - Director of Ukrainian Agrarian Investments (until 2014); - Chairman of the Board of Directors, Brooklyn Nets (until 2014); - Administrator of Quadra Power Generation (until 2014); - Director of Renaissance Capital (until 2014); - Chairman of the Board of Directors, Rencredit (until 2013); - Director of Ros Business Consulting (until 2013);
Mr Alain Liger (Born 12 FEB 1951, of French nationality)	<u>Date of Appointment:</u> 23 March 2016 <u>Term:</u> Annual General Assembly on Financial Statements for the year ended 30 June 2021.	- Administrator	- Member of the General Board of Economy, Ministry of Economy and Finance (2013-2016).
Mrs Cécile Maisonneuve (Born on 23 JUL 1971, of French nationality)	<u>Date of Appointment:</u> 23 March 2016 <u>Term:</u> Annual General	- Administrator	<ul style="list-style-type: none"> - Chairman of La Fabrique de la Cité - Member of the Supervisory Board of

First and Last Names (Date of birth, nationality)	Appointment date and term of mandate	Positions within the Group	Other mandates and positions held outside the Group over the past five years
	Assembly on Financial Statements for the year ended 30 June 2021.		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 as a simplified joint-stock 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 Board of Directors. Due to its recent listing, the Company was unable to meet this obligation in the year ended 30 June 2018.

The Appointments and Remunerations Committee will work to select candidates for the Company's directorships and their appointment in the event of a vacancy of a director's position on the Board.

4.7 DIRECTOR SELECTION CRITERIA

The Appointments and Remunerations 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 large international, French and foreign, companies' familiarity with the Company and its industry, professional experience, financial and accounting expertise and sufficient availability.

4.8 DIRECTORS' INDEPENDENCE

(i) 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 employed in the past five years;
- is not and has not been in the last two years in significant business relationship with the Company or its Group (customer, supplier, competitor, supplier, creditor, banker, etc.) ;
- is not a reference shareholder of the Company or holds a significant percentage of the right to vote;
- 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 Corporation 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 Company, in view of its shareholding or for any other reason, and vice versa.

(ii) 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 Remunerations Committee in accordance with the MiddleNext Code's independence criteria, the Board conducted a review of the independence of the directors and considers that three of the five members of the Board are independent, namely: Mr Christophe Charlier, Mr Alain Liger and Mrs Cécile Maisonneuve.

4.9 BOARD OF DIRECTORS' MISSION

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 shareholder meetings 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 authorization of the Board of Directors.

4.10 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board organizes and directs the work of the Board, which he reports to the Shareholders' General Assembly. 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 Shareholders' General Assemblies.

In general, the Chairman ensures the proper functioning of the management bodies and the compliance with 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 report immediately to the Chairman and the Board any conflict of interest, even potential, as well as any draft agreement that would be concluded by the Company and in that they are or could be directly or indirectly involved.

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

- convenes Board meetings, based on the schedule of meetings agreed with directors, and decides whether to convene the Board at any other time if necessary;
- prepares the agenda, oversees the constitution of the Board's dossier 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 put forward to the Board;
- animates and leads the Board's debates;
- ensures that directors comply with the stipulations of the Board's internal regulations and committees;
- oversees the Board's decisions;
- prepares and organizes, in conjunction with the Appointments and Remunerations Committee, the Board's periodic evaluation work.

The Chairman may promote the Company, in particular with the public authorities, major clients, investors and partners, both in France and abroad. As the Board's preferred interlocutor with leading shareholders, the Chairman communicates the shareholders views and concerns to the Board. The Chairman seeks 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) How the Committee works and composes

The Accounts and Audit Committee meets at the initiative of its Chair 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 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 set forth in the Board's internal regulations.

The attendance rate of each member of the Accounts and Audit Committee is shown in the table below:

NAME	ATTENDANCE RATE
Mr Christophe Charlier	75%
Mr Julien Moulin	100%
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-year and annual financial statements before they are approved 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; it gives an opinion on draft consolidated, half-year and annual financial statements prepared by General Management prior to their presentation to the Board and will, if necessary, hear from the auditors and from members of the executive and financial management.

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

With the exception of those provided for by law or other regulatory texts, the Committee gives its prior approval for the carrying out by the auditors of ancillary work or work directly complementary to the verification of the accounts, such as acquisitions audits, but not of evaluation work, is informed of the fees paid by the Company and its Group to the firm and network of auditors, and ensures that their amount or the part they represent in the firm's and the network's turnover is not likely to undermine the auditors' independence.

(iii) Committee activities

The main work done by the Accounts and Audit Committee in the fiscal year ended 30 June 2018 was:

- Review of the Group's financial situation;
- Review of annual and half-year financial statements;

4.11.2 The Appointments and Remunerations Committee

(i) The Committee's operations and breakdown

The Appointments and Remunerations Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors, at least four times a year.

It follows from its internal regulations that the Appointments and Remunerations Committee is composed of three to five members, appointed by the Board, on the proposal of the Appointments and Remunerations Committee. Members of the Appointments and Remunerations Committee are selected from non-executive positions. The Chair of the Committee is appointed by the Board on the recommendation of the Appointments and Remunerations 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 as Chairman of the Committee and Mr Alain Liger and Ms. Cécile Maisonneuve as Committee members.

The attendance rate of each member of the Appointments and Remunerations Committee is shown in the table below:

NAME	ATTENDANCE RATE
Mr Jean Fontourcy	100%
Mr Alain Liger	100%
Mrs Cécile Maisonneuve	25%

(i) Committee functions

One of the Committee's missions is to study and make proposals on the remuneration of corporate agents, members of the Board. It proposes to the Board a total amount for the attendance fees of the members of the Board which will be proposed at the General Assembly of the Society. The Committee advises the Commission on the general policy for the allocation of stock options and on the option plan or plans established by the Group's management. It indicates to the Commission its proposal for the allocation of call or subscription options by setting out the reasons for its choice and its consequences.

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

The Committee will be able to use the advice of a company that specializes in executive compensation.

(ii) Committee activities

The main work done by the Appointments and Remunerations Committee in the year ended 30 June 2018 was:

- the appointment of Mr Antoine Forcinal as Managing Director;
- the remuneration of Mr Antoine Forcinal as Managing Director;
- the amount of Mr Julien Moulin's remuneration;
- 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 OUT TO BOARD OF DIRECTORS MEMBERS

In accordance with the legal provisions, information is provided on the total amount of remuneration (including in-kind benefits) paid to members of the Company's social bodies during the year ended 30 June 2018 (See state appendices consolidated financial institutions 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 07 December 2018, do not provide for changes to the amount of attendance fees.

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

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

- 5,000 euros for each participation in one of the Board's quarterly sessions;
- 10,000 euros for the Chairman of the Accounts and Audit Committee;
- 10,000 euros for the Chairman of the Appointments and Remunerations Committee;
- 5,000 euros 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 2018 and 30 June 2017.

YEAR ENDED		30 June 2018		30 June 2017	
Non-executive social workers		Amounts due	Amounts paid	Amounts due	Amounts paid*
Christophe Charlier <i>Administrator</i>	Attendance fees	€30,000	-	€30,000	-
	Other salaries				
Jean Fontourcy <i>Administrator</i>	Attendance fees	€35,000	-	-	€35,000
	Other salaries				
Alain Liger <i>Administrator</i>	Attendance fees	€30,000	-	-	€25,000
	Other salaries				
Cécile Maisonneuve <i>Administrator</i>	Attendance fees	€20,000	-	€15,000	-
	Other salaries				

*These sums were paid in August 2018.

4.13 INFORMATION CONCERNING THE REMUNERATION OF CORPORATE OFFICERS

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

It is specified that the payment of annual variable compensation items and long-term variable remuneration items for executive corporate agents (Chairman and Managing Director) for the year 2017-2018 is subject to their approval by the General Assembly, which is due to rule on the Financial Statements for the 2017-18 fiscal year.

4.13.1 General Principles of Compensation

The Board of Directors, on the recommendation of the Appointments and Remunerations Committee, defined general principles of the remuneration policy of the CEO and the executive officers the criteria for this policy have been met.

The general principles of this remuneration 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 as well as the very international nature of the industry and the Group's vision.

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

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 the social officers for the years ended 30 June 2017 and 30 June 2018.

YEAR ENDED	30 June 2018	30 June 2017
Mr Julien Moulin, as Chairman and CEO of the Company		
Compensation due for the year*	€245,808	€240,000
Valuation of multi-year variable remunerations awarded during the year	-	-
Valuing options awarded during the year	-	-
Valuation of shares awarded free of charge during the year***	-	-

Mr Johannes Niemetz, as Chief Financial Officer of the Company (released at 30/11/17)****		
Compensation due for the year*	€75.0000	€185,000
Valuation of multi-year variable remunerations awarded during the year	-	-
Valuing options awarded during the year	-	-
Valuation of shares awarded free of charge during the year***	-	€16,641
Mr Antoine Forcinal, as Managing Director of the Company		
Compensation due for the year**	€232,752	€232,752
Valuation of multi-year variable remunerations awarded during the year	-	-
Valuing options awarded during the year	-	-
Valuation of shares awarded free of charge during the year***	€41,939	€41,946
TOTAL	€595,499	€716,339

*These amounts were paid in part under the service delivery 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 award) by the number of free shares awarded to the executives. No costs related to the third distribution plan put in place for this fiscal year were recorded, with free shares not being allocated until early July 2018.

****Mr Johannes Niemetz left the Company on 30 November 2017.

The social officers received a gross total remuneration (in salaries, bonuses and free shares awarded) of €595,499 in the year ended 30 June 2018 compared to €716,339 in the year ended 30 June 2017.

The table below shows the total gross compensation paid or due to executives for the years ended 30 June 2018 and 30 June 2017, including fixed and variable compensation paid or due by the Company for these years, benefits in-kind and attendance fees.

YEAR ENDED	30 June 2018		30 June 2017	
	amounts due	amounts paid	amounts due	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	-	€5,808	-	-
Mr Johannes Niemetz, as Chief Financial Officer of the Company (released on 30/11/17)				
Fixed pay	€18,750	€56,250	12,500	€172,500
Variable pay	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	-	-	-	-

Mr Antoine Forcinal, as Managing Director of the Company				
Fixed pay	-	€135,000	-	€145,863
Variable pay	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	-	€97,752	-	€86,889
TOTAL	€138,750	€414,810	€132,500	€525,252

The details of 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 is provided in Part 4.12 of this report.

4.13.3 Free shares awarded

The joint General Assembly of the partners on 23 March 2016 had 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 awarded free of charge may not represent more than 5% of the Company's capital for a face value of one euro per share and the final allocation of free shares to the beneficiaries will be made at the end of an acquisition period of at least two (2) years from the initial allocation of the free shares and according to the other conditions which will be set by the Rules of the Plan.

The Board of Directors, dated 30 June 2016 and 30 June 2017, adopted the Plan Regulations in 2016 and determined the initial beneficiaries of the first and second plans based on the allocation presented in the next table.

A third plan was implemented following advice from the Remunerations Committee as of 09 July 2018, which is also presented below.

It is recalled, as needed, that the number of shares assigned on an initial basis mentioned above does not necessarily correspond to the number of shares that will be definitively awarded to the beneficiaries, the final allocation of the shares being conditions of presence and delivery of documents described in the Plan Regulations.

Number of shares awarded	Free shares 09 July 2018	Free shares 30 June 2017	Free shares 30 June 2016
Thomas Gueant			4,000
Ronan Segulier	340	707	3,578
Stéphanie Borraccia	915	235	2,619
Christophe Muller	418	131	3,628
Romain Chenillot	368	518	2,469
Fadi Nassif	375		
Sheik Nayamuth			4,467
Johannes Niemetz			19,834
Antoine Forcinal	2,467	1,898	20,000
Yann Fouant	1,489	1,612	
Michael Vion	688	229	
Anthony Delobea	737	362	
Ludovic Brige	222		
Sandra Kolodzieczak	92	88	
Patrice Dubois	98		
Guillaume Cheret	137	158	
Jeremy Glasson	74		
Julien Moulin			24,890
Total free shares awarded	8,420	5,938	85,485

4.13.4 Specific compensation in the event of the Company's departure

- **Mr Julien Moulin**

- (i) Compensation for the termination of the mandate of Chairman and Chief Executive Officer

Following the opinion of the Appointments and Remunerations 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 authorize 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 remuneration. 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) Compensation under the term of Chairman and Chief Executive Officer

It is recalled that since 01 July 2016, and after the opinion of the Remunerations Committee, Mr Julien Moulin receives a gross annual remuneration of €120,000, plus benefits in kind for €5,808.

- **Mr Antoine Forcinal** – Employment contract with the Company

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, Mr Forcinal receives (i) a fixed gross annual remuneration of €135,000, 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. In the event that the Company terminates 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 remuneration. A dwelling with a rental value of up to €1,000 per month is also made available to Mr Forcinal.

4.13.5 Service delivery contracts with corporate officers

- **Mr Julien Moulin** – Service contract between NextGen NRJ Limited and LFDE International

Following the opinion of the Appointments and Remunerations 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, signs 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 European level, and seeking financing within the international investment community, particularly those based in London.

The terms of this agreement are:

- The services provided by NextGen NRJ Limited are twofold:

- public relations services, with the provider pledging to promote the Company's activities, in particular to the European Union authorities in charge of energy matters;
 - 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 competencies hired 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 2018, the Group recorded a charge related to the benefits billed by NextGen NRJ Limited amounting to €120,000 excluding taxes.

- **Mr Johannes Niemetz** – Karlin Limited UK and LFDE International service contract

It is recalled that on 25 June 2015 the Company signed a service contract with Karlin Limited, a company controlled by Mr Johannes Niemetz, for the provision of financial advisory services.

It is recalled that this contract was originally concluded in 2011 with European Gas Limited (Australia) and then transferred to the Company in July 2012 as part of the separation of European Gas Limited (Australia) from the rest of the Group. Karlin's advisory services relate to the search for acquisition opportunities for the Company (including "farm out" and "farm in" tenders) as well as advice on assessing possible targets and setting up acquisition or financing transactions.

The fees to be paid to Karlin are a fixed amount of €50,000 per year, with Karlin granting an exclusivity in return for which the Company has agreed to pay Karlin an amount equal to two years of consulting fees in the event of termination of the contract.

This contract was transferred to LFDE International by decision of the Board of Directors dated 30 June 2016 and ended on 30 November 2017, when Mr Niemetz left his position within the Group.

For the year ended 30 June 2018, the Group recorded a charge related to the benefits billed by Karlin Limited amounting to €18,750 excluding taxes.

4.14 OTHER BENEFITS

No Company has granted 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 the following distribution of the Company's shareholding as of 30 June 2018:

Major shareholders	Number of shares	% of capital and theoretical voting rights	% of actual voting rights
Deltec Bank & Trust Clients	952,423	18.8%	18.8%
Chaldon Asia Limited	493,692	9.7%	9.7%
LCF Rothschild Clients	453,944	9.0%	9.0%
EGL UK	403,905	8.0%	8.0%
Maritime Manufacturers Associates	350,000	6.9%	6.9%
Ginkgo Holdings	305,300	6.0%	6.0%
Julien Moulin	267,290	5.3%	5.3%
Financière Gabriele	189,447	3.7%	3.7%
Crédit Mutuel du Nord Europe (CMNE)	185,185	3.7%	3.7%
Financiere De Rosario	128,992	2.5%	2.5%
Total major shareholders	37,30,178	73.6%	73.6%
Others (holding < 1.5% of the capital)	1,334,996	26.4%	26.4%
Total number of shares	5,065,174	100%	100%

4.15.2 Free action plans

As recalled in part 4.13.3 of this report, the Joint General Assembly of Associates 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 and the Board of Directors dated 30 June 2016 and 30 June 2017 adopted the free share allocation plan and determined its initial beneficiaries as detailed in the same section above. A third plan was implemented with free shares awarded in July 2018.

4.15.3 Capital Increase Delegations

The following table shows the delegations and financial authorities in effect as of 30 June 2018:

Nature of the authorization	Date of GA (Resolution No.)	Duration and expiration	Amount allowed (nominal or %)	Use
Authorization on the Board of Directors to award shares free of charge to salaried staff members and corporate agents of the Company and its subsidiaries	23 March 2016 (Resolutions No. 9 and No. 10)	36 months	5% of the Company's share capital (on the day of the Board of Directors' award decision)	The allocation of free shares decided by the Board of Directors as of 30 June 2016 and the adoption of the Plan's Regulations. Second allocation plan as of 30 June 2017, third allocation plan as of 09 July 2018.
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	22 December 2017 (Resolution No. 10)	26 months	<ul style="list-style-type: none"> • Nominal amount of capital increases limited to €10,000,000; • Nominal amount showing debt securities limited to 10 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	22 December 2017 (Resolution No. 11)	26 months	<ul style="list-style-type: none"> • Nominal amount of capital increases limited to €10,000,000; • Nominal amount showing debt securities limited to 10 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	22 December 2017 (Resolution No. 12)	26 months	<ul style="list-style-type: none"> • Nominal amount of capital increases limited to €10,000,000; • Nominal amount showing debt securities limited to 10 million euros. 	
Delegation of jurisdiction to the Board of Directors to decide on the issuance, maintaining or suppressing the preferential subscription rights of shareholders.	22 December 2017 (Resolution No. 13)	26 months	15% of the original issue amount.	

Nature of the authorization	Date of GA (Resolution No.)	Duration and expiration	Amount allowed (nominal or %)	Use
Authorization 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.	22 December 2017 (Resolution No. 14)	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.	22 December 2017 (Resolution No. 15)	26 months	10% of the share capital (on the day of the Board of Directors' decision regarding the issue).	
Authorization 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.	22 December 2017 (Resolution No. 16)	26 months	2% of the share capital (on the day of the Board of Directors' decision)	
Authorization to the Board of Directors to reduce the share capital by cancelling Treasury shares	22 December 2017 (Resolution No. 9)	26 months	10% of existing capital on the day of cancellation by 24-month period	
Delegation of jurisdiction to the Board of Directors to decide on an increase in share capital by incorporating bonuses, reserves, profits or others the capitalization of which would be accepted	22 December 2017 (Resolution No. 17)	26 months	Limited to €10,000,000	

Nature of the authorization	Date of GA (Resolution No.)	Duration and expiration	Amount allowed (nominal or %)	Use
Authorization for the Board of Directors to operate on the Company's shares	22 December 2017 (Resolution No. 8)	18 months	<ul style="list-style-type: none"> • Limited to 10 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 22.1 euros. 	

4.15.4 Evolution of the LFDE title

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

As of 30 June 2018, the Company's shares were traded at a value of 17 euros compared to 22.1 euros at 30 June 2017 on Euronext Paris' C compartment.

4.15.5 The Company's intervention on its securities

In accordance with Article L. 225-209-1 of the Commerce Code, we report on the Company's purchase and sale of its own shares in order to regulate their price.

During the year ended 30 June 2018, the Company conducted transactions on its own shares as part of the liquidity agreement with Midcap Partners (Louis Capital Markets) as a service provider investment.

As of 30 June 2018, the Company held 8,684 of its own shares compared to 5,458 equity shares in 2017, or less than 0.2% of the share capital, acquired at an average cost price of €17.70 (2017: €22.10).

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 Chief Executive Officer, 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 shareholder meetings 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 AT GENERAL ASSEMBLIES

(i) Notices

Collective shareholder 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 deliberate under the conditions set out by law. They are gathered at head office or any other place specified in the notice of summons.

(ii) Conditions for participation 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 account on the second business day before the meeting at zero o'clock, Paris time, either in accounts of registered securities held by the Company, i.e. in bearer securities accounts held through the authorized intermediary.

The registration or accounting registration of securities in the accounts of bearer securities held by the authorized intermediary is determined by a certificate of participation issued by the latter, attached to the form of distance voting or proxy or at the request for an admission card established on behalf of the shareholder 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 on the second business day before the meeting at zero o'clock, Paris time.

(iii) Videoconferencing

On the decision of the Board of Directors, 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 notice of meeting and/or convening of the meeting. In this case, these shareholders are deemed present for the calculation of the quorum and the majority of this meeting.

(iv) Remote voting

Shareholders may vote by mail or give power of attorney in accordance with the law and regulations. Shareholders may, under the conditions set out in current regulations, submit their voting form by mail for any General Assembly, either in paper form or by decision of the Board of Directors published in notice of meeting and/or summons, by remote transmission under the conditions set by that notice. Notification of the appointment of the voting agent, as well as notification of the revocation of the voting mandate, may be made by form in paper or electronic form.

The entry and signature of electronic forms may take the form, upon prior decision of the Board of Directors, of a reliable identification process that meets the conditions set out in the first sentence of the second paragraph of the article 1316-4 of the Civil Code, which may consist of an identifier and password, or any other means provided for by existing regulations. The power of attorney or vote thus expressed before the meeting by this electronic means, as well as the acknowledgement given to it, will be considered as non-revocable and enforceable writings to all, being specified that in the event of the transfer of securities before the third working day prior to the meeting at zero o'clock, Paris time, the Company will invalidate or modify accordingly, depending on the case, the power of attorney or vote expressed before that date and time.

(v) Attendance sheet

An attendance sheet is certified as accurate by the assembly office in accordance with the current regulations.

(vi) Office and Presidency

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

The assembly office includes the Chairman-designate as mentioned above and two scrutineers. It appoints a secretary who can be chosen outside the shareholders.

(vii) Proceedings

The deliberations of the meetings are recorded by minutes signed by the members of the office and established on 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

In accordance with Article L. 225-100-3 of the Commerce Code, 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 2018;
- statutory restrictions on the exercise of voting rights and transfers of shares or clauses brought to the Company's knowledge under Article L. 233-11 of the Commerce Code: no restrictions or such clauses;
- direct or indirect participations in the capital of the Company, of which it is aware under articles L. 233-7 and L. 233-12 of the Commerce Code: the Company was not aware of this type of take participation during the year;
- the holders of all securities with special control rights and the description of them: the Company is not aware of the existence of 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 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;
- Board of Directors, in particular the issuance or repurchase of shares: delegations made by the Company's Shareholders' General Assembly to the Board of Directors are listed on paragraph 4.15.3 of the annual financial report;
- agreements providing compensation for members of the Board of Directors (Chairman/Chief Executive Officer and Managing Director) or employees, if they resign or are dismissed without or if their employment ends due to a public offer.

6. OTHER PRESENTED INFORMATION

6.1 AGREEMENTS COVERED 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 were, prior to their conclusion, authorized by the Board of Directors during the fiscal year ended 30 June 2018, 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 2018

i) Fifth and sixth debt defaults to the Company by European Gas Limited

It is recalled that in connection with the reorganization of the Group in June 2015, the Company entered into an agreement with European Gas Limited (“EGLUK”) on 25 June 2015 entitled “Reorganization and Cooperation Agreement” to organise a separation of the two entities (the Company having ceased to be a subsidiary of EGLUK as a result of this restructuring) in an orderly and two-year manner.

It is recalled that under the Reorganization Agreement, EGLUK and the Company also agreed to settle certain outstanding financial commitments between the two companies following the June 2015 restructuring. Thus, in return for the Company’s assumption, following the completion of its IPO, of the financing of the repayment of the convertible debt of 3 million euros (the “Convertible Loan”) underwritten by EGLUK with some of its shareholders in 2014, EGLUK has committed to phase out, over a five-year period, the EGLUK Loan.

Under the Reorganization Agreement, the Company has also agreed to make its best efforts to implement with EGLUK a second repurchase transaction by EGLUK from its shareholders of their shares (or a transaction with an equivalent result) similar to that carried out in June 2015, in order to allow EGLUK shareholders who were unable to participate in the first repurchase transaction (due, for example, to the regulatory restrictions applicable to them) to have the opportunity to become Company’s shareholders.

In addition, the principles set out in the Reorganization Agreement regarding the phasing out of the EGLUK Loan over a five-year period were detailed in a 25 June 2015 implementation agreement signed between EGLUK and the Company (titled “Waiver Implementation Agreement”). As a follow-up to this agreement, EGLUK and the Company have already signed four debt-abandonment agreements (titled “Waiver Amendment No. 1 / No. 2 / No. 3 / No. 4”) of a portion of the EGLUK Loan in the years ended 2015 to 2017.

As such, in fiscal year 2018, two debt waivers were obtained, the first for €1,000,000 as of 31 December 2017 and the second for €2,544,000 as of 02 April 2018. Following these two debt waivers, the balance of this loan is zero as of 30 June 2018.

ii) **Shareholders loan (Deltec Bank and Trust)**

During the year ended 30 June 2017, in order to continue to develop its business in the Hauts-de-France and the Grand Est, management implemented a short-term shareholder loan with Deltec Bank and Trust for a maximum of 4.3 million euros, this loan having been formalized by an agreement dated 27 October 2017. This initially provided for a maturity at the end of December 2018 or the next refinancing by the Company.

This agreement was amended by an endorsement dated 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. The interest rate remained fixed at 1.98% per annum.

As of 30 June, the Company's debt under this loan, including commissions and accrued interest, amounted to €4,251,421, including new inflows of funds of €1,224,894 for the year, and a charge interest costs of €71,483 for the year.

6.1.2 List of previous agreements that continued to be executed in the year ended 30 June 2018

i) **Service delivery agreement between NextGen NRJ Limited and LFDE International**

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

ii) **Service delivery contract between Karlin Limited U K and the Company**

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

iii) **Reorganization and Cooperation Agreement of 25 June 2015**

It is recalled that in connection with the reorganization of the Group in June 2015, the Company entered into an agreement with European Gas Limited ("EGLUK") on 25 June 2015 entitled "Reorganization and Cooperation Agreement" to organise a separation of the two entities (the Company having ceased to be a subsidiary of EGLUK as a result of this restructuring) in an orderly and two-year manner.

It is recalled that this contract was mentioned in the Special Report of the Company's Auditors for the year ended 30 June 2015 and approved by the General Assembly of the Company's partners dated 25 November 2015. As of 30 June 2017, this contract had been extended until a complete transfer of licences between EGLUK and FDE.

iv) **Remuneration 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 EXPLORATION AND DEVELOPMENT

No Group company recorded expenses related to an exploration and development activity in the year ended 30 June 2018.

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 responsible but are capitalized.

The amount capitalized in this regard in the year ended 30 June 2018 amounts to €960K for La Française de l'Energie Company and €150K for the other entities of the Group.

6.3 EMPLOYEE SHAREHOLDING

In accordance with the provisions of Article L. 225-102 of the Commerce Code, we indicate that no business savings plan has been put in place for the benefit of the Company's employees. As of 30 June 2018, employee participation calculated in accordance with the provisions of Article L. 225-102 of the Commerce Code is 0%.

6.4 INCOME APPROPRIATION

In accordance with the provisions of Article 243 bis 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 2018, i.e. €(659,858) – in full at the deferral again. The latter will thus increase from a credit balance of €522,613 to a debit balance of €137,245.

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 assets to companies with which it maintains economic ties justifying it (Article L. 511-6, 3 bis-al 2 of the Monetary Code and Financial).

6.6 EXPENSES NOT FISCALLY DEDUCTIBLES

In accordance with the provisions of Sections 223 quater and 223 quinquies of the General Tax Code, we specify that the amount of the Company's expenses and charges covered by section 39-4 of that Code, is nil in the past fiscal year.

6.7 RESULTS TABLE FOR LAST FIVE FISCAL YEARS

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

<i>Date of year's end</i>	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
<i>Duration of the year (months)</i>	12	12	12	12	12
AT YEAR'S END					
Social capital	5,065,174	5,065,174	5,065,174	3,226,620	758,310
Number of common shares	5,065,174	5,065,174	5,065,174	3,226,620	75,831
Number of bonds convertible into shares			-	-	-
OPERATIONS AND RESULTS					
Tax-free sales			-	-	-
Earnings before taxes, equity, depreciation and amortization and provisions	(330,593)	(90,458)	1,211,814	714,852	(960,088)
Income taxes	-	-	(601,378)	-	-
Employee participation			-	-	-
Depreciation and amortization and provisions	(329,265)	(15,716)	(11,816)	(16,551)	-
Net income	(659,858)	(106,174)	598,620	698,301	(960,088)
RESULT PER SHARE					
Earnings after taxes, participation, before depreciation and amortization and provisions	(0.06)	(0.02)	0.12	0.22	(12.66)
Earnings after taxes, equity, depreciation and amortization and provisions	(0.13)	(0.02)	0.12	0.22	(12.66)
Dividend paid on each share	-	-	-	-	-
PERSONAL					
Average employee workforce	12	13	16	14	7
Payroll	1,009,328	954,561	1,139,324	568,530	541,091
Social charges	422,714	587,422	465,053	257,071	222,841

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 table below (amounts in k€).

	Article D. 441-4 I.-1: Invoices <u>received</u> 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					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and up)	0 day (indicative)	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	72					194						
Total amount of relevant invoices (inc. all taxes)	578	11th	55	135	346	547						
Percentage of year's total purchases (inc. all taxes)	21%	0%	2%	5%	13%	20%						
Percentage of year's revenue (exc. taxes)												
(B) Bills excluded from (A) relating to disputed or unaccounted-for debts and receivables												
Number of invoices excluded	7											
Total invoices excluded	2,874.											
(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 2018 <input type="checkbox"/> Legal deadlines: (specify)					

Invoices to Entrepouse Drilling, with which the Company is in dispute as of 30 June 2018, were excluded from this table, as were invoices with Beicip, with which an agreement was reached for the year.

This table does not include invoices that have not received by the closing date.

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. The realization of any of the risks below could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and future operations.

Exploration, appraisal, development and production of natural gas involve numerous risks and 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. These 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 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 "acts of God". 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 minimize the risk of serious injury or damage, and 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 an 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 proved assets not being recoverable and therefore an impairment charge being required to reduce the carrying value of the proved 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 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 might result in substantial losses and unforeseen interruptions of the activities

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, organizations 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 commerciality of any of the Group's discoveries remain uncertain in 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 activities of the Group depend of 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. 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 statements reporting date and whenever events or changes in circumstances indicate that the carrying value of proved 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 proved 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

Activities relating to the exploration, appraisal, development, and production of gas are subject to various risks including the following. The realization of any of the risks below

could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

The Group has incurred losses and it may never achieve a sustainable profitability

For the fiscal years ended 30 June 2017 and 30 June 2018, the Group incurred net losses and also recorded negative operating cash flows. There can be no assurance that the Group will ever earn sufficient revenues to offset past, current and future losses and achieve profitability, which could impair its ability to pursue its operations. Moreover, even if the Group achieves profitability, such profitability may not be sustainable.

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 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 (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.

The reserves and resources data for the Group's gas assets are estimates and may differ materially from the actual figures and may not ultimately be extracted at a profit

The Group's business, which relies on the identification, appraisal 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 may be insufficient or incapable of extraction, and their 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 commodity 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. Hydrocarbon 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 Lorraine and Nord-Pas-de-Calais projects provided 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 resources 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 and coal mine methane 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 gas reserves estimates may be incorrect over time or may not accurately reflect actual reserves, or even if accurate, some changes may prevent the Group from producing gas from these reserves under the circumstances expected

The hydrocarbon resources and reserves data contained in the CPR and the Registration Document published for the Company initial public offering and included in its annual report are estimates only and should not be construed as representing exact quantities. Estimates are based on various assumptions which may prove to be incorrect at the time of the actual discoveries.

Geological and seismic analyses are also conducted prior to exploration drilling in order to decide on the location of drillings and whether to pursue exploration. Nevertheless, knowledge of reserves and resources may sometimes be unpredictable and only be acquired gradually during the course of exploration.

Evaluations of gas reserves involve multiple uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. Gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect the Group's best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (processes that are continual and yield new results over time), and may differ from previous estimates.

Reserves estimates are subject to various uncertainties, including those relating to the reservoir parameters of gas fields. These reservoir parameters may be difficult to estimate and, as a result, actual production may be different from current estimates of reserves. Factors affecting the Group's reserves estimates include new production or drilling activities; assumptions regarding future performance of wells and surface facilities; field reviews; the addition of new reserves from discoveries or extensions of existing fields; the application of improved production techniques; and changed economic conditions.

Furthermore, the Group has provided certain estimates regarding gas reserves in the Registration Document published for the Company initial public offering and included in its annual report. These estimates are based on volumetric analysis of the Group's various permit areas, lands and establishments which are combined in the CPR with a series of economic assumptions to form a model field development plan. The Company does not rely only on the assumptions and conclusions of the CPR to make its decisions regarding capital expenditures and development plans. The actual developments carried-out by the Group may therefore differ substantially from those set forth in the CPR. The Group cannot guarantee that the available level of hydrocarbons will correspond to the amount currently expected from the CPR. For example, the Group may launch exploration activities in an area where reserves and/or resources were previously identified by the CPR but where ultimately gas resources are absent or significantly below expected quality or quantities. The Group can also give no assurance that the reserves estimates upon which the Group has made investment decisions accurately reflect actual reserve level, or even if accurate, that technical limitations will not prevent the Group from retrieving these reserves. Accordingly, investors should not rely on this gas reserves data as the primary basis for your investment decision.

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 may face difficulties obtaining financing for new projects, expansion, and developments

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 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 has established certain business and development plans regarding its activities, particularly in respect of its future drilling campaigns designed to identify new resources, prove commerciality, and develop reserves.

However, these 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 expects to apply for a production permit in Lorraine in 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, and/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 future 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 such activity. This will require the Group to find partners, which the Group may be unable to find.

Any failure by the Group to effectively identify, manage, and integrate acquisitions successfully could cause it to not realize its anticipated benefits of these acquisitions

As the acquisitions of Gazonor and Concorde Energy Inc. are now completed, the Group will seek to expand its existing French, Belgian, German, Austrian, Polish and Czech exploration and production acreage. The Group will seek opportunities to acquire or obtain interests in additional assets and will petition for exploration and development permits in other locations, which may require significant investments. In the process of such acquisitions, the Group may not be able to complete the transactions on terms which are most commercially advantageous to the Group. The Group may not be able to fully realize all the anticipated benefits of any acquisition transactions within the anticipated time frame or at all due to inadequacies in its operations with respect to its evaluation, planning and analysis of such investment opportunities or factors. In particular, the Group's acquisition strategy involves a number of risks and uncertainties, including:

- unforeseen contingent risks or latent liabilities relating to these businesses that may become apparent only after the merger or acquisition is completed;
- identification of appropriate targets, in line with the Group's external growth strategy, may be difficult;
- integration of new companies could lead to substantial costs, as well as to delays or other financial and operational difficulties;
- the realization of the expected financial and operational synergies may take more time than foreseen or fail to occur, either in whole or in part;
- the acquisitions could require increased attention by the Group's management, to the detriment of other activities;
- the assumptions made in the business plans of the acquired companies may be incorrect, in particular with respect to synergies and performance;
- the acquisitions could lead the Group to bear more significant liabilities than those calculated during the due diligence phase of the acquisition;
- the Group could be forced to sell or limit the external growth of certain enterprises in order to obtain the required regulatory authorizations for these acquisitions, in particular with respect to anti-trust authorizations;
- the acquisition of a new company could lead to the loss of certain key employees

- and contracts;
- there could be environmental or geological problems with the acquired assets;
- the Group may not be able to acquire sufficient surface rights to permit the production of resources;
- there could be outstanding permit violations associated with acquired assets;
- there could be difficulties or unexpected issues arising from the Group’s evaluation of internal control over financial reporting of the acquired businesses;
- expected profits from future or completed acquisitions could fail to materialize within the time periods and to the levels expected; and
- regulatory challenges for completing and operating the acquired gas assets.

Part of the Group’s growth strategy includes pursuing strategic acquisitions and alliances. However, if the Group is unable to integrate the operations of acquired assets or businesses successfully, establish and operate joint ventures in connection with such acquisition and alliances successfully, derive favourable returns from the Group’s acquisitions, or manage such future acquisitions profitably, the Group may not be able to achieve the strategic purpose of such an acquisition or investment. These difficulties could disrupt the ongoing business of the Group, distract its management and employees, and increase its expenses, any of which would materially and adversely affect its business and results of operations. Additionally, any acquisition that the Group makes may result in the assumption of material liabilities. Acquired assets may subject the Group to increased costs and liabilities, including environmental liabilities. The costs and liabilities associated with known risks may be greater than expected, and the Group may assume unforeseen contingent risks or latent liabilities that become apparent only after the acquisition is completed.

Acquisitions or disposals of significant assets may materially impact the Group’s financial statements and results of operations

The Company intends to acquire and dispose of its interests in gas assets from time to time as part of its strategy to unlock value through strategic portfolio management. This can also involve partial sales of assets to provide funding and/or to reduce the Company’s risk exposure to major exploration or development players. Such acquisitions and disposals, if significant, will have a material effect on the Group’s results of operations and financial condition. Consequently, the Group’s historical financial results before the acquisition or disposal may not be comparable with future results.

For instance, should the Company decide to sell economic interest under certain of its permits, or to enter into farm-out agreements in respect of such permits, the Group would lose all or part of the interests under those permits and the royalties received by the Company or the savings resulting from such arrangements may not fully compensate the Company for the loss of the corresponding part of the cash flows acquired by the Company’s counterparts in the course of such transactions.

The Group depends on its relations with the various stakeholders and is exposed to the operational risks affecting gas 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 organizations 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 potentially large and the ultimate outcome uncertain, with a possibility that the Group fails to obtain the authorizations 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 coalbed methane 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 well-established large 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 Trakil, Total and Vermilion.

If the Group is unable to manage its production quality and price competitiveness, maintain its operational efficiency and control costs in connection with its expansion or retain its highly-skilled personnel, the Group will experience an adverse effect on its business, reputation, growth opportunities, ability to obtain financing, financial condition, results of operations, prospects, and future operations. 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 may not be the operator on all of its future assets and therefore may not be in a position to control the timing of development efforts, the associated costs, or the rate of production of the reserves on such assets

While the Group is the sole operator for its existing wells, the Group may not serve as operator of all planned wells in the future. The Group may enter into formal agreements with third parties to jointly pursue resources and reserves. As a result, the Group may have limited ability to exercise influence over the operations of some non-operated assets or their associated costs. Dependence on the operator and other working interest owners for these projects, and limited ability to influence operations and associated costs could prevent the realization of targeted returns on capital in drilling or acquisition activities. The success and timing of development and exploration activities on assets operated by others depend upon a number of factors that will be largely outside of the Group's control, including:

- the timing and amount of capital expenditures;
- the timing and level of exploration activities;
- the availability of drilling equipment, production and transportation infrastructure and qualified operating personnel;
- the operator's expertise and financial resources and condition;
- health and safety, environmental and other regulatory compliance practices;
- the prices at which and customers to whom products are sold;
- approval of other participants in the assets;
- selection of technology; and
- the rate of production.

In the event that the Group's joint venture partners or third-party operators do not meet their obligations under the requisite permits necessary to carry out operations, or they breach agreements governing the Group's relationship, these violations may lead to fines, penalties, restrictions, withdrawals of licenses and the termination of the agreements under which it operates. Notwithstanding that the Group will be entitled to seek certain recourse against its counterparties in the event of such risk occurring, the Group may also be jointly liable for the non-compliance with these obligations.

The Group may be unable to strengthen its internal-control systems

The scale and scope of the Group's operations require maintaining sufficient and robust internal-control systems and an effective monitoring mechanism with respect to its operations. In particular, with respect to the Group exploration and production business operation, the Group is generally required to conduct internal audits relating to its financial and operational activities. Although the Group has implemented and continues to implement such internal-control systems to the extent possible, there can be no assurance that the Group will be successful in developing and implementing policies and strategies that will be effective in managing risks relating to its operations in France and internationally.

The Group is dependent on its senior management team and executive employees with relevant natural-gas experience

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 requires highly skilled personnel to provide technical and engineering services in the production and development of, and the exploration for, gas resources. The Group also requires specific personnel who have specialized experience working in adverse conditions or have knowledge of coalbed methane (CBM). 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.

Work stoppages and other personnel-related issues could materially adversely affect future operations

If the Group's employees or the employees of one of its contractors were to engage in a work stoppage or other slowdown in the future, the Group could experience a significant disruption of its operations, which could have negative effects on its business, such as decreased productivity and increased labour costs. There also is the possibility that in the future the Group may be subject to charges, claims and/or lawsuits relating to its employees, its management, painful working conditions and other physical risks, the employees' working-time arrangements, its staff representatives and the frequency of its meetings or the use of independent contractors that may cause increased costs.

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

Activities relating to the exploration, appraisal, development, and production of gas are subject to the following risks that should be considered. The realization of any of the risks

below could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

The Group is subject to governmental regulations relating to the gas industry and the procurement of government permits, licenses, and approvals

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 authorization 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, authorizations 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 in-force government policies.

The complex regulatory regimes that govern the Group's operations may change

The Group currently operates only in France. A change in the French government's energy policy, in particular by promoting renewable energies to the detriment of gas, for instance, by amending the current tax regime applicable to natural gas 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.

The French government has been reviewing for several years the adoption of a new mining law which may significantly amend the current regulatory framework embodied in the French mining code. Such amendments may make gas exploration and production activities more cumbersome, subject to longer approval delays and higher costs.

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 mitigated 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 and/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 and 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 unwinding 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 is subject to tax risks, which may be increased as a result of acquisitions

The Group must structure its organization and operations appropriately while respecting the various complex tax laws and regulations of the jurisdictions in which it operates. Because

tax laws may not provide clear-cut or definitive doctrines, the tax regime applied to its operations and intra-group transactions or reorganizations is often based on its interpretations of tax laws and regulations. There can be no assurance that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect the Group's financial condition and results of operations. Tax laws and regulations are subject to change, and new laws and regulations may make it difficult to restructure the Group's operations in an advantageous manner. More generally, any failure to comply with the tax laws or regulations of the country in which the Group operates may result in reassessments, interest on late payments, fines and penalties.

Furthermore, the Group may record deferred tax assets on its balance sheet, reflecting future tax savings resulting from differences between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry forwards from the Group's entities. The actual realization of these assets in future years depends on tax laws and regulations, the outcome of potential tax audits, and on the future results of the relevant entities and the ability of the Group to generate taxable profits. Any reduction in its ability to use these assets due to changes in laws and regulations, potential tax reassessments, or lower than expected results could have a material adverse effect on the Group's business, financial condition and results of operations.

Lastly, the Group may incur significant tax risks and inherit significant tax liabilities as a result of its acquisitions, such as the acquisition of Gazonor, and the recourses available under the related acquisition agreements may not fully protect the Group from such risks. If these tax exposures materialize in the future, the Group may incur significant costs as a result of possible reassessments, interest on late payments, or fines and penalties, which could have a material adverse effect on the Group's financial condition.

The Company has certain tax losses that may be carried-over in France. It shall not be excluded that upcoming evolutions in matters of company taxation may challenge, in all or in part, the possible allocation of these previous losses on the future profits or to limit their allocation over time.

Failure by the Group to comply with the laws and regulations applicable to its activities may result in substantial costs 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.

The Group may not have sufficient insurance coverage against potential operational risks

The Group's business is subject to environmental hazards that could expose it to substantial liability due to pollution and other environmental damage. The Group may incur material

costs and liabilities resulting from claims for damage to property or injury to persons arising from risks associated with its operations. If the Group is pursued for sanctions, costs and liabilities in respect of these matters, its operations and, as a result, its profitability could be materially adversely affected.

The Group maintains general liability insurance, insurance coverage against certain losses resulting from physical damages, business interruption and certain pollution events, as well as directors' and officers' liability insurance. However, the Group's insurance coverage does not provide 100% reimbursement of potential losses resulting from operational hazards, either because such insurance is not available to the Group or to other companies in the Group's industry or because of the high premium costs and deductibles associated with obtaining such insurance.

While the Group has insurance that is typical for its operations, the Group is not fully insured against certain of the risks described in this document. The occurrence of a significant event against which the Group is not fully insured could have a material adverse effect on its business, financial condition, results of operations, prospects, and future operations.

There can be no assurance that any insurance proceeds the Group receives are sufficient to cover expenses relating to insured losses or liabilities. Further, depending on the severity of the damage, the Group may not be able to repair or rebuild damaged property in a timely manner. The Group is also subject to the risk of increased premiums or deductibles, reduced coverage, and additional or expanded exclusions in connection with its existing insurance policies and those of operators of those assets that the Group does not currently operate. The inability to rebuild damaged property and the increased insurance premium could have a material adverse effect on its business.

7.4 MARKET RISKS

Activities relating to the exploration, appraisal, development, and production of gas are subject to the following risks you should consider. The realization of any of the risks below could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

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

The Group transacts with different counterparties, including existing and potential 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 and/or their willingness to enter into future transactions with the Group.

The Group may be subject to currency exchange rates risk in the future

The Group currently operates only in Europe and is therefore not presently subject to currency exchange rate risk. Should the Group, in the course of its development, resort to

suppliers outside of the European Union or otherwise enters into contracts with payment in foreign currency, the Group may be impacted by fluctuations in exchange rates.

The Group may be subject to interest rate risk in the future

The Group's current debt is only composed of fixed rate debt and the Group is therefore presently not subject to interest rate risk. Should the Group resort to floating rate debt, it will be exposed to the risk of fluctuations in exchange rate and, in case of increase of interest rate, to additional financing costs.

Business disruptions could seriously harm the Group's future revenue and financial condition and increase its costs and expenses

The Group's operations could be subject to war, expropriation, terrorism, earthquakes, power shortages, telecommunications failures, water shortages, floods, fires, extreme weather conditions, medical epidemics, and other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm the Group's revenue and financial condition and increase its costs and expenses. The ultimate impact on the Group, its significant suppliers and its general infrastructure as a result of such natural or manmade disasters or business interruptions is unknown, but the Group's revenue, profitability and financial condition could suffer in the event of any such natural or manmade disasters or business interruptions.

The Company's shares are subject to market fluctuations, in addition a liquid market might not be developed 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 initial public offering, or the perception by the market that such 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 on 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 market price of the Company's shares may be affected by a significant volatility

The market price of the Company's shares may be affected by a significant volatility and may vary depending on an important number of factors that the Company does not control. The factors include, in particular, the response of the market to:

- changes in the financial results, forecasts or prospects of the Group or its competitors from one period to another;
- announcements by the Group's competitors or other companies with similar businesses, including those regarding the financial and operational performance of these companies or their prospects, and/or announcements concerning the markets on which the Group is present;
- adverse evolutions on the political, economical or regulatory situation applicable in the countries and markets on which the Group operates; or legal or administrative procedures concerning the Group;
- adverse evolution of gas and fuel prices;
- announcements regarding the modifications of the Company's shareholding;
- announcements regarding the modifications of the managing team or key-men of the Group; and
- announcements regarding the scope of the Company's assets (acquisitions, disposals.)

Moreover, stock markets are subject to significant fluctuations which are not always related to the results and prospects of the listed companies. Important market fluctuations, as well as the economic environment, may have a material impact on the market price of the Company's shares and lead to a decrease of the investments' value operated by the investors.

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 its activity within the Group. The expenses paid by the Company for all insurance policies amounted to €323,170 for the fiscal year ended 30 June 2018, against €381,466 for the year 30 June 2017. The insurance policies taken out by the Company are summarized as follows:

Insurance company	Type	Amount (EUR) 2018	Amount (EUR) 2017
Marsh	Directors' and officer's civil liability IPO insurance	19,170	19,170
AXA	Directors' and officers' civil liability Office and environment insurance	3,900	4,906
JLT Group	Civil Liability	300,100	3,57,390

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 or 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.

Finally, the Group organises internal audits to validate the level of compliance with existing policies and procedures.

Since the internal-control processes have only been in place since the end of the fiscal year ended 30 June 2016, the second fiscal year in which the shares of the Company are listed on Euronext, the Group intends to continue to strengthen its internal-control system 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.