LA FRANÇAISE DE L'ÉNERGIE

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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.

Forbach on 02 November 2017

Julien MOULIN
President 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 Philippe Rahms
Tour Europe – 20, place des Halles, 67081 Strasbourg

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
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. MANAGEMENT REPORT

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'Énergie SA (hereinafter referred to as the "Company") and the Group (hereinafter referred to as the "Group") for the fiscal year from 01 July 2016 to 30 June 2017.

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

3.1.1 Group structure

La Française de l'Énergie is the Group's parent company and the most senior entity in terms scope of consolidation.

The main subsidiaries that the Company either directly or indirectly holds are described below. As of 30 June 2016, none of the Company's subsidiaries were listed on the stock market.

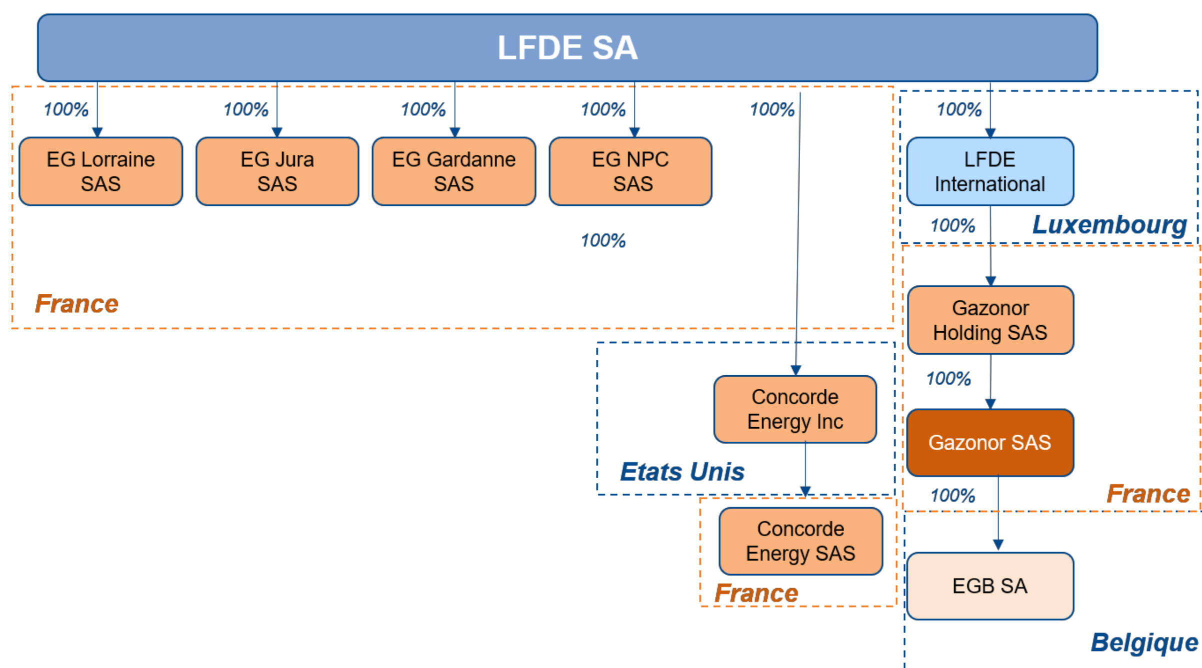
Key information on the Group's main subsidiaries is appears below:

Address and Trade and Companies Registration N°	Share Capital	% Equity Interest	Activity
FRENCH COMPANIES			
Concorde Energy Paris 36 rue du Dr Le Savoureux 92290 Châtenay-Malabry (France) RCS 529 069 825	€1,000	100%	Operational company (Exclusive Permit to Prospect [EPP] La Folie de Paris)
EG Lorraine 1 avenue Saint-Rémy 57600 Forbach RCS 790 110 639	€868,544	100%	Operational company (EPP application La Grande Garde)
EG NPC 1 avenue Saint-Rémy 57600 Forbach RCS 790 090 880	€1	100%	Operational company (NPC permit) – not active to date
Gazonor ZAL Fosse 7 62210 Avion RCS 381 972 439	€1,400,000	100%	Operational company (EPP and concessions)
Gazonor Holding 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	N/A	100%	Holding company
Gazonor Benelux ("EGB") Av. Vital Riethuisen 47 1083 Brussels 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

Note: The Company also wholly owns two dormant subsidiaries: EG Gardanne and EG Jura.

The organisational chart below illustrates the Group's legal structure and, in particular, the main subsidiaries held by the Company either directly or indirectly as of 30 June 2017.



3.1.2 Business activity and development, significant events

(i) <u>Business activity and development, significant events</u>

The Group is a leading operator in the French energy sector, with gas assets in northern and eastern France, specifically gas extracted from the coal (or coalbed methane). The Group has recently become the largest domestic gas producer in France, thanks to the acquisition of Gazonor, which took place during the fiscal year ended on 30 June 2016. Thanks to its low

carbon footprint and very competitive production cost, the Group aims to substitute a portion of the gas imported into France with coalbed methane, produced locally and made more attractive through short supply lines across the involved territories.

Over the past ten years, and with the acquisition of Concorde and Gazonor, the Group has built the second largest portfolio of gas exploration and production permits in France, covering over 10,000 square kilometres overall. This permit portfolio in France comprises several exclusive exploration permits that are currently being approved or renewed, two concessions in the process of being approved and around twelve exploration permits currently being applied for.

The Group's operations are mainly located in two areas: Lorraine, located in eastern France close to the Franco-German border, and in Nord-Pas-de-Calais, in the Hauts-de-France region located at the Franco-Belgian border. The subsoil and geology of these two geographic areas have been extensively explored, documented and mapped out via more than one hundred years of mining activities, thousands of explorations wells and other historical drilling activities and seismic studies, giving the Group a sizeable competitive advantage, which it plans to use by focusing primarily on extracting the gas present in coal and underground pockets, and its development over short supply lines.

Over the fiscal year ended on 30 June 2017, the Group's annual gas production reached nearly 1.9 billion cubic feet ("BCF"), *i.e.* 45 million cubic meters. The Group holds 253 BCF in reserves, both proven and probable (category 2P) and certified in the Nord-Pas-de-Calais and Lorraine basins. The Group also holds 6 trillion cubic feet, or "TCF", of contingent resources, which it intends to extract gradually over the coming years, as soon as they are converted to proven resources.

The following table summarises the Group's gas reserves and resources (as of 30 September 2015 for the Lorraine region and 18 February 2016 for the Nord-Pas-de-Calais region). At this stage, the initial certified gas reserves in Lorraine are concentrated within an area accounting for only 0.9% of the surface area of the Group's permits in this region, whereas the contingent resources audit covered just 29.4% of the surface area of the land under permit for the Group in this region. The Company therefore believes that it enjoys unrivalled growth potential, since this correlates to gas volumes equivalent to the Lacq gas field, the largest gas production field in France. The Group believes the potential in Lorraine and in Nord-Pas-de-Calais is greater than the figures provided by the BEICIP (*IFP Énergies Nouvelles*) and DMT, because the certifications consider less than 30% of those surfaces in which the Group has a stake. A new certification report is currently being prepared in the Nord-Pas-de-Calais, and the Company will make it available during the first half of 2018. A certification report will also be prepared for the Lorraine region in 2018.

BCF	Reserves			Contingent Resources			Prospective resources		
	Proven (1P)	Proven & Probable (2P)	Proven & Probable & Possible (3P)	1C	2C	3C	Low-production scenario	Best-case scenario	High-production scenario
NPdC	51.0[1]	225.0[1]	709.4[1]	1.176	1.869	2.877	N/A[2]	N/A[2]	N/A[2]
Lorraine	5.3[3]	27.9[3]	73.5[3]	1.240[4]	2.032[4]	3.085[4]	1,183[4]	2,209[4]	3,637[4]
Total	56.3	252.9	782.9	2.416	3.901	5.962	-	-	-

[1] Gas mix
[2] N/A.: Not Available
[3] The reserve certification area in Lorraine accounts for 0.9% of the Group's surface area under permit in this region.
[4] The resource audit area in Lorraine accounts for 29.4% of the Group's surface area under permit in this region.
BEICIP's reserve figures are based on 20-year planning forecasts and DMT's on 25-year planning forecasts
Source: BEICIP (IFP Énergies Nouvelles) – 2015, DMT – 2016

(ii) Significant events of the fiscal year

During the fiscal year ended 30 June 2017, the Company completed the successful drilling of the Lachambre well in the Lorraine region, where 7 layers of coal with vertical thicknesses ranging from 1.8 to 10.8 metres, and average gas levels greater than 10 m^3/tonne, were identified between 950 and 1,200 metres on the stratigraphic portion of the well located in Lachambre. The number of coal layers and the overall thickness of the coal part correspond to the predictions made on the Petrel 3D model developed by the Company. In accordance with its plan, the Company is currently in the production-test phase, and the results are expected in the first half of 2018. The Group continues to move towards the marketing of its gas in Lorraine, with the first gas sales expected in 2018.

In the Hauts-de-France, the Group successfully completed the installation of 6 Jenbacher engines (9 MW of green electricity capacity installed during the fiscal year) at four sites, including Lens, Avion, Divion and Désirée, to capture mine gases and convert them into green electricity. This electricity project was launched in November 2016, after the publication of the electricity tariff guaranteed for 15 years by the French State for green electricity projects generated from mine gases. This is an important step for the Group, which again demonstrates its operational competence in the implementation of a substantial project in record time and well under the initial budget. The implementation of green-electricity sales also demonstrates the Group's environmental performance, as well as its ability to become a major regional energy supplier in the area. The Group expects to generate additional recurring revenues in excess of 3.6 million euros per year from these electricity sales for the year ending 30 June 2018.

On 22 September 2016, the framework financing agreement, initially signed in May 2016 by the Company with RGreen Invest for €60 million, was extended until 31 December 2016. In early 2017, the Company decided not to renew this agreement with the RGreen Invest fund, considering the operational progress and the grant guaranteed by the tariff order on the subsidized tariff for electricity generated from the collection of mine gases.

It is, especially, to continue to develop its activity in the Lorraine and Hauts-de-France regions that Company management has set up short-term financing from current shareholders, amounting to 4.3 million euros in 2017, of which 2.7 million euros have already been subscribed as of 30 June 2017.

In November 2016, the Company initiated a judicial proceeding against the Société Générale, as lead, for the reimbursement of commissions unduly collected by the latter in connection with costs associated with the Company's IPO on Euronext, which were deducted directly by the Société Générale from the equity raised by the Company in the course of this transaction. In fact, the Company considers that the Société Générale has wrongfully withheld these commissions, as the amounts withheld exceed those owed it.

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

At the date of this report, the Company was involved in three disputes which arose after the closing of the fiscal year ended 30 June 2017.

The first dispute, between the Company and Entrepose Drilling SAS, concerns the drilling and other services invoiced by the latter for the Lachambre drilling campaign. The Company considers that the deficiencies in the drilling equipment employed by Entrepose Drilling prevented the attainment of the defined drilling objectives, and that said deficiencies have delayed the Company's drilling campaign and caused it harm, justifying the suspension of the payment of the last invoices relating to said drilling. Entrepose Drilling disputes the Company's position and has initiated an interim procedure to obtain payment of these invoices, as well as indemnities for termination of the contract signed with the Company, arguing that the Company took the initiative to break said contract, which the Company contests, imputing the termination of this contract to Entrepose Drilling itself. On 08 September 2017, the Commercial Court of Paris, ruling in emergency ("*en référé*", sentenced the Company to pay Entrepose Drilling the sum of 983,820 euros. The Company immediately appealed this judgment and intends to initiate proceedings on the merits against Entrepose Drilling for compensation for the sundry suffered by the Company as a result of deficiencies in the drilling services provided by Entrepose Drilling and the latter's abusive termination of the contract binding it to the Company.

The second dispute, between Concorde Energy Inc., a subsidiary of the Company, and Renewal Energy Ressources, involves the contract transferring the La Folie de Paris permit, signed in 2010, with the latter calling for an additional payment of 150,000 euros, which the Company disputes.

A final dispute exists between the Company and Compagnie Financière de Saint Roch, which seeks an additional payment of 300,000 euros for services rendered in connection with the Company's IPO in June 2016, which the Company disputes.

(iv) Company's research and development activities

With regard to Article L.232-1 of the French Commercial Code, we would like to inform you that the Company has not conducted any research or development activities during the fiscal year just ended, except for the gas exploration R&D as described in the "Business activity and development" section above.

3.2 PRESENTATION OF THE COMPANY'S STATUTORY ACCOUNTS

The Company's financial statements for the fiscal year ended 30 June 2017 that we submit for your approval were prepared in accordance with the reporting rules and valuation methods provided for under current legislation and according to French accounting standards. These rules and methods are identical to those applied to the previous fiscal year ended 30 June 2016

The Company's financial statements for the fiscal year ended 30 June 2017, including the balance sheet and income statement, are included in Section 5.1 of this report.

3.2.1 Income statement

	2017 **€**	**2016** **€**
Revenues		
Other revenues	573,221	558,702
Total operating revenues	**573,221**	**558,702**
Other purchases and external expenses	1,510,641	4,492,972
Taxes and similar levies	16,871	13,580
Wages and salaries	954,561	1,139,324
Social contributions	587,422	465,053
Other expenses	100,000	120,000
Operating amortisation and depreciation	15,716	11,816
Total operating expenses	**(3,185,211)**	**(6,242,745)**
Operating income (loss)	**(2,611,990)**	**(5,684,043)**
Foreign-exchange gains	3,762	2,209
Total financial revenues	**(3,762)**	**(2,209)**
Interest and similar costs	38,276	1,113,750
Total financial expenses	**(38,276)**	**(1,113,750)**
Financial income	**(42,038)**	**(1,115,959)**
Current results before taxes	**(2,654,028)**	**(6,800,002)**
Exceptional revenues	2,547,854	8,000,000
Total exceptional revenues	**2,547,854**	**8,000,000**
Income tax	-	(601,378)
Net (loss) income	**(106,174)**	**598,620**

3.2.2 Revenue

During the fiscal year ended 30 June 2017, the Company generated no revenue.

This is due to the fact that, for the moment, the only activities carried out by the Company are the exploration and evaluation of resources and reserves. Hence the Company did not produce or sell any gas during the fiscal year ended 30 June 2017, no more than it did during the previous fiscal year ended 30 June 2016.

3.2.3 Operating expenses

Operating expenses, at (3,185,211) euros, were lower than the previous fiscal year, mainly due to a 954,561-euro decrease in wages and salaries for the 2017 fiscal year, and to a 1,510,641-euro decrease in other purchases and external expenses for the same fiscal year, mostly in relation to the Company's Initial Public Offering in 2016.

The decrease in wages is due mainly to a reduction in the CEO's remuneration and to the departure of several staff members.

Other external purchases and charges relate mostly to administrative and other overhead costs, including legal, audit and consultancy fees, and the remuneration of other external providers who have been involved in the current projects during the fiscal year. Other overhead costs include insurance payments, travel and stay expenses, and the costs of setting up an ERP.

3.2.4 Cost of financial debt and other financial expenses

Financial expenses, totalling €38,276, were slightly lower for the fiscal year ended 30 June 2017 than during the previous fiscal year, due to these convertible bonds being automatically converted to ordinary Company shares when the Company's shares were admitted to trading on Euronext Paris, on 13 June 2016. Because of this, the Company has recorded no expense related to the convertible bonds as of 30 June 2017.

3.2.5 Exceptional revenues

The Company's financial statements include exceptional revenue of €2,547,854 of which €2.4 million corresponds to the amount of the debt waivers carried out between the Company and EGLUK during the fiscal year ended 30 June 2017, in accordance with the principles set out in the Reorganization Agreement in place since June 2015, and 147,854 euros correspond to the Company's claim to the URSSAF for the reimbursement of social security contributions, in connection with the remuneration of the Company's British employees.

3.2.6 Income – Allocation

For the fiscal year ended 30 June 2017, the Company posted a net loss of (106,174) euros, generating no corporate tax, compared to a net income of 598,620 euros for the fiscal year ended 30 June 2016.

(i) Proposed allocation of income

We recommend you approve the financial statements (balance sheet, income statement and notes) as presented to you, which show a loss of (106,174) Euros.

We recommend you allocate the loss of the fiscal year as follows:

- (106,174) euros to the "carry-forward" account, raising it to 522,613 Euros.

In view of this allocation, the Company's shareholders' equity would total 49,935,361 euros.

(ii) Prior distributions of dividends

Pursuant to Article 243 bis of the French General Tax Code, no dividends were distributed for the previous three fiscal years.

3.2.7 Capitalized Expenses

The above analysis of the Company's income statement does not reflect amounts allocated to exploration costs on existing permits, as these are capitalised and are therefore not included in the Company's income statement.

Total capitalised exploration costs relating to the Company's exploration permits for the Lorraine project are presented in the table below:

Bleue Lorraine	39,149,341
Bleue Lorraine Sud	299,103
Total costs related to Lorraine permits	39,448,444

The substantial amount of capitalized expenditures recorded for the Bleue Lorraine EPP reflects the costs of the drilling campaigns conducted in the past and, more recently, the drilling and testing carried out at Lachambre between 2013 and 2017.

Total exploration expenses capitalised by the Company as part of the Nord-Pas-de-Calais exploration program mainly relate to seismic processing work, permit applications, data processing, Petrel software modelling and DAOTM's (dossiers authorising the initiation of mining work). The breakdown of these capitalised expenses is as follows:

Valenciennois (NPC)	229,080
Sud-Midi (NPC)	366,684
Poissonnière (NPC)	394,283
Total expenses related to NPC Permits	1,060,047

Capitalised exploration costs for the Gardanne and Lons-le-Saunier activities are as follows:

Lons-le-Saunier	220,061
Gardanne	74,259
Total expenditures for other projects	294,320

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

3.3 PRESENTATION OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements for the fiscal year ended 30 June 2017 that we are providing for your review were prepared in accordance with the presentation rules and evaluation methods provided under current legislation, and in accordance with International Financial Reporting Standards ("IFRS"), as published on 30 June 2017.

Since the acquisition of Gazonor was not completed until 27 June 2016, i.e., three days before the fiscal year-end, the Group's consolidated financial statements only contain the key information about Gazonor. This acquisition only impacts the consolidated balance sheet as of 30 June 2016.

The Group's consolidated financial statements for the fiscal year ended 30 June 2017 are shown in Section 6.1 of this report.

3.3.1 Consolidated Income Statement

	Notes	2017	2016
Revenues from ordinary activities		3,676,470	-
Other revenues		474,637	-
Purchases, net of changes in inventory		(43,873)	-
Other operating expenses	2	(6,317,316)	(5,656,328)
Amortisation of property, plant and equipment and mineral rights	3	(481,952)	(11,816)
Provision		(192.513)	-
Operating result		(2.884.547)	(5,668,144)
Other revenues		-	-
Other expenses		-	-
Net cost of financial debt	4	(3,366)	(1,113,750)

Other financial revenues		-	-
Other financial expenses	4	(492,977)	(1,237,000)
Foreign-exchange differences		(3,629)	(2,209)
		(3,384,519)	(8,021,102)
Goodwill		-	1,189,556
Taxes	5	1,059,747	2,666,622
Consolidated net (loss)		**(2,324,772)**	**(4,164,926)**
Net (loss), Group share		**(2,324,772)**	**(4,164,926)**
Comprehensive (loss), Group share		**(2,324,772)**	**(4,164,926)**
Earnings per share, Group share		(0.46)	(1,26)
Fully-diluted earnings per share, Group share		(0.46)	(1,23)

3.3.2 Revenues

During the fiscal year ended 30 June 2017, the Group obtained revenues of 3,676,470 euros, i.e. a first generation of revenues from its Gazonor business of reselling gas collected in the old mining galleries of the Hauts-de-France. Revenues did not increase against those of the fiscal year ended 30 June 2016 due to major revisions and maintenance of engines/compressors in the first quarter of 2017, and to the launching of electricity projects as a priority objective. This revenue generation is expected to accelerate in the year 2017, following operational improvements on the Avion site, including improved productivity, the renewal of part of the machinery, and the electricity projects.

3.3.3 Other operating expenses

Other operating expenses, amounting to (6,317,316) euros, rose 11.69% compared to the previous fiscal year, due to a €2,815,948 increase in staff costs (including €898,811 corresponding to the bonus-share plan allocated as of 30 June 2016), other external purchases and charges of 1,389,411 euros, and 709,086 euros in other overhead costs since the acquisition of Gazonor. However, the Group has streamlined Gazonor's management by reducing all basic costs. Other external purchases and charges include direct costs related to the sale of gas, and other overhead costs include the updating of the computer system initiated as part of the Gazonor acquisition, to bolster the supervision of operations and improve financial controls within the Company, as well as other operating costs.

The significant changes in operating expenses, incurred between the fiscal year ended 30 June 2016 and the fiscal year ended 30 June 2017, are as follows:

Other operating expenses

	2017	2016
	€	€
Other purchases and external expenses	1,389,411	-
Staff and management expenses	2,815,948	1,573,439
Rent	102,582	86,949
Fees	1,153,298	2,918,082
Advertising	33,775	530,097
Taxes	103,582	13,617
Energy and electricity	9,634	6,309
Other general expenses	709,086	527,835
Total	**6,317,316**	**5,656,328**

Other operating expenses relate mainly to running costs. Employee expenses are detailed in Note 22 to the consolidated financial statements, entitled "*Group workforce and personnel costs*".

3.3.4 Cost of financial debt and other financial expenses

The main components of the net cost of financial debt are as follows:

	2017	2016
	€	€
Net cost of financial debt	(3,366)	(1,113,750)
Other financial expenses	(492,977)	(1,237,000)
Financial result	**(496,343)**	**(2,350,750)**

Financial costs, amounting to (3,366) euros, were lower in the fiscal year ended 30 June 2017 than in the previous fiscal year due to the automatic conversion of convertible bonds into ordinary Company shares when the Company's shares were admitted to trading on Euronext Paris, on 13 June 2016. Because of this, the Company has recorded no expense related to the convertible bonds as of 30 June 2017.

The other financial charges correspond in particular to the effect of the accretion of the debt to EGLUK, for €458,067 for the fiscal year 2017 (see note 18 of the annex to the consolidated accounts), and to the impairment of the sale of shares and the losses recorded in relation to the liquidity contract, amounting to €34,910.

3.3.5 Tax issues

For the fiscal year ended 30 June 2017, the Company recorded a €776,162 deferred tax asset and a €7,030,795 deferred tax liability. The deferred tax assets were generated during the fiscal year ended 30 June 2017, on the basis of the tax loss carry-forwards and following the fair value recognition of the debt owed EGLUK. Deferred tax liabilities were generated following the allocation of the goodwill resulting from the acquisition cost of LFDE International SA

securities at a 28% tax rate.

The recognition of deferred tax assets has been analysed on a company-by-company basis, taking into account deferred tax liabilities with the same reversal deadlines.

Deferred tax assets not discounted in the financial statements were valued based on how the Group expects to recover or settle the book value of the assets and liabilities using the tax rate in effect or substantively in effect at the balance sheet date.

3.3.6 Total consolidated losses

The total consolidated net losses for the fiscal year ended 30 June 2017 amounted to (2,324,772) euros after the recognition of €1,059,747 in deferred tax revenue, compared to losses of €4,164,926 for the fiscal year ended 30 June 2016, i.e., a €1,840,154 decrease in income.

The decrease in consolidated losses is primarily due to an increase in revenues from ordinary activities and to a significant decrease in operating expenses and financial expenses.

3.3.7 Capitalized expenses

The above analysis of the Group's income statement does not reflect amounts allocated to exploration costs for existing permits because these are capitalized and, therefore, not recognized in the Company's income statement.

Total capitalised exploration costs relating to the Company's exploration permits for the Lorraine project are presented in the table below:

Bleue Lorraine	39,149,341
Bleue Lorraine Sud	299,103
Total costs related to Lorraine permits	39,448,444

The large amount of capitalised expenses recognised for the Bleue Lorraine permits reflects the cost of drilling campaigns conducted in the past and, more recently, the drilling and production tests carried out at Lachambre between 2013 and 2017.

Total exploration expenses capitalised by the Company as part of the Nord-Pas-de-Calais exploration program mainly relate to seismic processing work, permit applications, data processing, Petrel software modelling and DAOTMs (applications for authorisation to launch mining works). A breakdown of these capitalised expenses is presented below:

Valenciennois (NPC)	229,080
Sud-Midi (NPC)	366,684
Poissonnière (NPC)	465,483
Total expenses related to NPC Permits	1,061,247

Capitalised exploration expenses for operations in Gardanne and Lons-le-Saunier are presented below:

Lons-le-Saunier	220,061
Gardanne	74,259
Total expenditures for other projects	294,320

Expenses related to operations in Gardanne and Lons-le-Saunier are related mainly to geological studies and to other mining work carried out in the past.

Moreover, following the acquisition of Concorde during the fiscal year ended 30 June 2016, the Group also holds the following permits:

La Folie de Paris	1,941,770

3.3.8 Consolidated Balance Sheet

	Notes	2017	2016
ASSETS			
Non-current assets			
Goodwill	**6**	-	18,263,758
Intangible assets	**7**	43,665,677	31,852,162
Property, plant and equipment	**8**	30,983,828	626,065
Other financial assets	**10**	219,817	104,498
Deferred tax assets	**5**	776,162	345,000
Total non-current assets		**75,645,484**	**51,191,483**
Current assets			
Inventories	**9**	506,558	435,670
Other receivables	**11**	2,969,681	1,420,342
Cash and cash equivalents	**12**	790.017	11,962,172
Total current assets		**4,266,257**	**13,818,184**
Total assets		**79,911,740**	**65,009,667**
LIABILITIES			
Equity			
Capital	**13**	5,065,174	5,065,175
Consolidated share premiums and reserves	**15**	49,545,886	51,687,266
Net (loss), Group share		(2,324,772)	(4,164,926)
Total Equity		**52,286,288**	**52,587,515**

Non-current liabilities			
Provisions	**27**	4,398,221	3,786,616
Non-current financial debts	**17**	1,803,557	3,053,778
Deferred taxes (liabilities)	**5**	7,030,795	-
Total non-current liabilities		**13,232,573**	**6,840,394**
Current liabilities			
Trade payables	**18**	11,026,475	4,605,268
Other current liabilities	**18**	610.789	976,490
Current financial debts		2,755,615	-
Total current liabilities		**14,392,879**	**5,581,758**
Total liabilities and equity		**79,911,740**	**65,009,667**

3.3.9 Consolidated cash flow

Fiscal year	**2017**	**2016**
Consolidated net (loss)	(2,324,772)	(4,164,926)
Non-Monetary Elements		
Elimination of Depreciation, amortisation and provisions	674,465	11,816
Revenue and expenses related to share-based payments		-
Elimination of Deferred tax revenue	(1,059,747)	(2,666,622)
Debt issue costs	-	-
Non-cash financial expenses	3,366	1,100,000
Other non-cash items	1,356,877	1,206,607
Negative goodwill recognised in income statement	-	(1,189,556)
(Increase) decrease in working capital requirements (Note 19)	(2,189,757)	2,292,321
Taxes paid	**-**	**-**
Cash flows from operating activities	**(3,539,568)**	**(3,410,360)**
Acquisition of a subsidiary, net of cash acquired	-	(16,073,666)
Acquisition of intangible assets	(24,000)	-
Exploration costs (Note 7)	(11,369,632)	(1,163,626)
Acquisition of property, plant and equipment (Note 8)	(5,466,881)	(1,508)
Acquisition of other financial assets	(115,319)	(92,648)
Increase (decrease) in fixed assets payable (net of recoverable VAT)	6,612,927	
Cash flow from investment activities	**(10,362,905)**	**(17,331,448)**

Capital Increase	-	37,500,003
Issue Expenses	-	(1,805,939)
Bond issues	-	-
Shareholder loan	2,752,249	-
Reimbursement of EGLUK loan (Note 17)	(21,931)	(5,034,933)
Cash flow from financing activities	**2,730,318**	**30,659,131**
NET INCREASE (DECREASE) IN CASH	**(11,172,155)**	**9,917,323**
Cash at the beginning of the period	11,962,172	2,044,849
Cash at the end of the period	**790,017**	**11,962,172**

In the consolidated cash flow statement above, net cash includes cash and cash equivalents net of bank overdrafts and short-term loans. According to IAS 39, securities are recorded at their market value as at the fiscal year-end.

The cash flow statement presented above does not include the transactions listed below that took place in 2016 and 2017, as these were non-cash transactions:

- The debt waiver of €2,400,000 (2016: €8,000,000) which was recognised directly in equity;
- the fair value adjustment of the EGLUK loan resulting from the agreement dated 12 December 2014 whereby the existing intercompany loan was transformed into a five-year interest-free loan maturing on 12 December 2019.

3.4 FUTURE OUTLOOK

The Company considers that the prospects for the development of the Group's activities are promising.

The United Kingdom's exit from the European Union increases Europe's on Russian, Norwegian, Qatari, Algerian and American shale gas which is beginning to arrive in the form of LNG, to almost 80%.
Russia meets 37% of Europe's gas needs today. As for France, it relies, for over 99% of its needs, on gas imports from those various countries, with an annual energy bill near 10 billion euros.

At the same time, France and Europe are committed to reducing their carbon footprints through energy transition. Nevertheless, this energy transition does not have the same importance for all the main players in the European market, most of which (Germany, the United Kingdom, France, Poland, etc.) continue to use coal to generate their electricity or diesel.

Our activity, which focuses on the production of local gas resources for the benefit of the people and industries concerned by our activity through the introduction of short supply chains, is a concrete solution for reducing the carbon footprint and of the regions concerned and ensuring the security of their supply by replacing imported gas by a cleaner local gas, retaining the added value in our territories, the former mining basins in which our activity is

concentrated.

In the Hauts-de-France, our gas production activity was affected by low gas prices and the relatively limited availability of machinery. First, the price of gas was expected to stabilise around 16 €/MWh gas. In addition, the mechanical improvements made to gas-production and -compression equipment on the Avion site should allow our Group to greatly improve the availability of machines, to increase the volumes of gas injected into the GRT Gas network significantly.

Following the successful start-up of 9MW in green-power capacity, the Company estimates it is possible to quickly install over 20 additional MW throughout its entire permit portfolio in northern France and Belgium. The Group believes the installation of small gas engines at different sites within the basin contributes significantly to the French government's clean-energy strategy and provides considerable support for local decentralized energy supply.

The Group has also signed its first industrial partnership with Dalkia Group concerning the supply of gas, green electricity and heat to the commune of Béthune, located in the region of Hauts-de-France. This energy supply and management agreement, signed with this municipality, has a term of 22 years, to allow the municipality of Béthune to reduce its CO_2 emissions and energy bill by 35%. This contract will begin in 2021 and should represent a recurring annual revenue of over one million euros for the Group.

In the Lorraine region, civil engineering works are completed at the coming production site of Pontpierre, to continue with the drilling campaign once the gas tests in Lachambre are completed.

Studies continue in other areas of the Lorraine basin, particularly to validate areas where the Company could install its next drilling sites, to certify new proven reserves before launching production operations at these new sites.

As regards regulations, the government has launched a strong initiative, the "Climate Plan", which seeks to accelerate the implementation of the Paris Accord, both on its territory and internationally, to find, as soon as possible, a path that will lead to the reduction of greenhouse-gas emission consistent with the goal of maintaining global warming below 1.5 °C/2 °C.

Parliament is currently studying a legislative proposal that would limit the production of hydrocarbons to 2040 on French territory and would no longer permit the renewal or application for an Exclusive Permit to Prospect except, of course, for gas recovered from old mines. The Group welcomes the Government's willingness to engage in the effort for ecological transition. Regulatory developments are a major hazard in our business and continue to be closely monitored by our teams.

The Group's management reviews its financing options regularly, to ensure that the continuity of its operations is assured, as regards its various assets and liabilities and the revenues from its gas sales and electricity generation, which has been in effect since 01 July 2017.

The Group's monthly operating expenses, excluding non-monetary items, now amount to almost €350,000. The Group generated monthly revenues of €400,000 to €500,000 between 01 July and 30 September 2017. It bears noting that electricity sales are not yet optimised and continue to increase with each passing month. Thanks to gas and electricity sales, the Group has generated a positive self-financing capability that allows it to cover its operational working-capital requirement since August. As on 30 September 2017, the Group's available funds amount to €240,000, and invoices from receivables from electricity sales to EDF OA still to be cashed stand at €621,000. The first payment of these invoices is programmed for some time in November 2017.

As on 30 September 2017, the Group had a total trade payable of €11,056,607, including € 3,716,522 for invoices under litigation and €1,504,527 unbilled payables. Overdue invoices amounted to €5,595,915.

The Group has renegotiated a payment schedule with most of its key suppliers, synchronising it with the funding provided to ensure continuity of its operations.

At the date of this report, the Group had received the financing agreement of a first French bank for €6.4 million, with an interest rate under 3% and a six-year maturity. Backed by Gazonor's power-generation assets. Legal due diligence was finalised on 18 October 2017, and the documentation is being completed.

The Group has provided the documentation regarding the preconditions for the loan to be arranged. These involved obtaining the redemption tariff, agreements for connection with green-electricity sites, the operating agreement, the contract granting access to the distribution network, the purchase agreements, and the maintenance and guarantee contracts. This bank has designated a partner bank to accompany this first funding. The partner bank must validate the proposed documentation at its next commitment committee, in November. Company management expects the funds to be available by 15 December.

The Group received €3,660,000 in financing from a German regional bank. The collateral requested is still being discussed before a decision is made.

Furthermore, to date, the Group has drawn its entire funding line from its shareholders and will thus have an additional €1.2 million in cash.

The Group also has the following funding opportunities:

- The Group has signed a letter of intent with Cap3RI for a €3-million investment at the Gazonor level, in the form of a convertible bond loan (which can be converted into French energy shares after 5 years), to be implemented no later than by 30 November, subject to the bank financing received. The legal, tax and regulatory due diligences have been carried out.

  The documentation is being drafted. Still to be finalised is the technical audit, which is carried out by the Ferest Ingénieurie Group.

- At the same time, the Group received confirmation, on 13 July 2017, following the plenary vote of the Regional Council of the Grand Est region, of a €822.000 subsidy as part of the State-Region pact, to finance the development of its activities in the Lorraine region. The date of receipt of the funds has yet to be determined.

- The Group is also allowed to issue 500,000 shares to finance the payment of its trade payables and its development, if required.

For these reasons, the Group considers it has the capacity to continue its activity through fiscal year 2017-2018, to meet its cash requirements, and to settle its debts, as presented in the financial statements. The financial statements were thus prepared in accordance with the going-concern principle.

3.5 LEGAL AND OTHER INFORMATION

3.5.1 Corporate offices

Pursuant to the provisions of Article L.225-102-1 of the French Commercial Code, we are providing you in Annex A.1, "*Report on Internal Control and Corporate Governance*", the list of all offices and positions in all French or foreign companies held by each of the directors of the Company during the fiscal year. This description covers five years, to comply with Annex I of (EC) Regulation 809/2004, which governs the preparation of registration documents.

3.5.2 Remuneration of corporate officers

The tables below provide an overview of the remuneration and benefits of any kind paid to the Chairman-Chief Executive Officer of the Company, to the Chief Operating Officer and to the members of the Board for their duties within the Company and/or in the companies controlled by the Company (the term "control" is to be understood as defined in Article L. 233-16 of the French Commercial Code).

3.5.2.1 Remuneration and benefits of any kind awarded to executive directors

This table presents a summary of the components of the remuneration paid to executive directors for the fiscal years ended 30 June 2016 and 30 June 2017.

Fiscal Year Ended	30 June 2017	30 June 2016
Mr. Julien Moulin, as Chairman and CEO of the Company		
Remuneration due for the fiscal year *	240,000 €	294,868 €
Value of the multi-year variable remuneration awarded during the fiscal year *	-	600,000 €
Value of the share options awarded during the fiscal year **	-	-
Value of the bonus shares awarded during the fiscal year****	-	522,690 €

Mr. Johannes Niemetz, As Chief Financial Officer of the Company		
Remuneration due for the fiscal year *	185,000 €	185,000 €
Value of the multi-year variable remuneration awarded during the fiscal year *	-	75,000 €
Value of the share options awarded during the fiscal year **	-	-
Value of the bonus shares awarded during the fiscal year****	16,641	416,514 €
Mr. Antoine Forcinal, As Deputy General Manager of the Company		
Remuneration due for the fiscal year ***	232,752 €	155,167 €
Value of the multi-year variable remuneration awarded during the fiscal year *	-	75,000 €
Value of the share options awarded during the fiscal year **	-	-
Value of the bonus shares awarded during the fiscal year****	41,946	420,000 €
TOTAL	716,339 €	2,744,239 €

** These sums were paid under the service provision agreements described in section 3.6.2.6 of this report.*
*** The share warrants below have not been included in this table and will be replaced by a bonus share plan described in section 3.5.2.3.*
**** The Forbach flat made available to Mr. Forcinal, with a maximum rental value of €1,000 per month, is not included in this table.*
***** The value of the bonus shares awarded was determined by multiplying the unit value (based on the price of the share on the award date, i.e., 30 June 2017) of €22.1 against €21 during the fiscal year ended 30 June 2016 by the number of bonus shares awarded to the executive. No cost related to this operation has been recognised, as the bonus shares were only issued on 30 June 2017.*

The executive directors received gross total remuneration (in salaries, bonuses and bonus shares) of €716,339 during the fiscal year ended 30 June 2017, €2,744,239 during the fiscal year ended 30 June 2016.

The table below shows the total gross remuneration paid or due to the officers for the fiscal years ended 30 June 2017 and 30 June 2016, including the fixed and variable remuneration paid or due by the Company for these years, benefits in kind and directors' fees.

Fiscal Year Ended	30 June 2017		30 June 2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Mr. Julien Moulin, as Chairman and CEO of the Company				
Fixed remuneration *	€120,000	€120,000	-	€294,868
Variable remuneration *	-	-	€600,000	
Attendance fees	-	-	-	-
Benefits in kind	-	-	-	-

Mr. Johannes Niemetz, As Chief Financial Officer of the Company				
Fixed remuneration *	€12,500	€172,500	-	€185,000
Variable pay *	-	-	€75,000	-
Attendance fees	-	-	-	-
Benefits in kind	-	-	-	-
Mr. Antoine Forcinal, As Deputy General Manager of the Company				
Fixed remuneration	N/A	€145,863		€90,000
Variable remuneration	N/A	N/A	€75,000	-
Attendance fees	N/A	N/A	-	-
Benefits in kind **	N/A	€86,889	-	€65,167
TOTAL	€132,500	€525,252	€750,000	€635,035

** These sums were paid under the service provision agreements described in section 3.6.2.6 of this report.*
*** The Forbach flat made available to Mr. Forcinal, with a maximum rental value of € 1,000 per month, is not included in this table.*

The details of the remuneration paid to the executive directors under the related agreements are described in paragraph 3.5.2.5 of this report.

3.5.2.2 Remuneration and benefits of any kind awarded to non-executive corporate directors

In its twenty-first resolution, the Combined Ordinary and Extraordinary Shareholders' Meeting of 23 March 2016 decided to grant a package of directors' fees in the amount of €250,000 per year to the Board members.

Following the opinion issued by the Appointments and Remuneration Committee on 30 June 2017, the Board of Directors, at its meeting on the same date, decided, in accordance with the fourth resolution of the Board meeting of 20 June 2017, to distribute the director's fees among the members of the Board, other than Julien Moulin, as follows:

- € 5,000 for attendance at one of the quarterly meetings of the Board;
- € 10,000 for the chairman of the Accounting and Audit Committee;
- € 10,000 for the chairman of the Appointments and Remuneration Committee;
- € 5,000 for each member of these two committees.

The table below shows the distribution of the directors' fees paid and due to non-executive directors for the fiscal years ended 30 June 2016 and 30 June 2017.

Fiscal Year Ended		**30 June 2017**		**30 June 2016**	
Non-executive directors		**Amount s due**	**Amount s paid**	**Amounts due**	**Amount s paid**
Christophe Charlier *Administrator*	Attendance fees	€30,000	-	€15,000	-
	Other remuneration				
Jean Fontourcy *Administrator*	Attendance fees	€30,000	-	€17,500	-
	Other remuneration				

Alain Liger *Administrator*	Attendance fees	€25,000	-	€12,500	-
	Other remuneration				
Cécile Maisonneuve *Administrator*	Attendance fees	€25,000	-	€12,500	-
	Other remuneration				

3.5.2.3 Allocation of shares Free

The Combined Ordinary and Extraordinary Partners' Meeting of 23 March 2016 approved the implementation of a bonus share plan for some or all of the Group's employees and executives. The total number of bonus shares awarded must not represent more than 5% of the Company's share capital. Bonus shares will have a nominal value of € 1 and will be definitively awarded to the beneficiaries at the end of a vesting period of at least two (2) years from the initial award of the bonus shares (the "Plan Rules"), in accordance with the other conditions that will be defined by the Plan Rules.

On 30 June 2016 and 30 June 2017, the Board of Directors adopted the Plan Rules implemented in 2016 and defined the initial beneficiaries of the plan, in accordance with the following distribution:

	Bonus shares 30 June 2017	**Bonus shares 30 June 2016**
Thomas Gueant	93	4,117
Ronan Seguier	707	3,578
Stéphanie Borraccia	235	2,619
Christophe Muller	131	3,628
Romain Chenillot	518	2,469
Sheik Nayamuth	607	4,467
Yann Fouant	1,612	-
Michael Vion	229	-
Anthony Delobeau	362	-
Sandra Kolodziecjczak	88	--
Guillaume Cheret	158	-
Antoine Forcinal	1.898	20,000
Johannes Niemetz	753	19,834
Julien Moulin	-	24,890
TOTAL	7,391	85,602

It should be noted that the number of shares initially awarded indicated above does not necessarily correspond to the number of shares that will be definitively awarded to the beneficiaries; the definitive awarding of the shares is, in particular, subject to employment conditions and the provision of the documents described in the Plan Rules.

3.5.2.4 Specific severance packages in the event of departure from the Company

- **Mister Julien Moulin**

(i) Compensation for termination of the Chairman and CEO's mandate

Following the opinion issued by the Appointments and Remuneration Committee on 30 June 2017, the Board of Directors, at its meeting on the same date, having learned that Mr. Julien Moulin did not have an employment contract with the Company, and taking into consideration the services rendered by Mr. Julien Moulin to the Group since 2009, decided to authorize and approve the payment of a severance package in the event of his removal as the Company's Chairman and Chief Executive Officer.

This severance payment would be equal to two (2) years of his gross annual fixed remuneration. It would be payable in the event that Julien Moulin is dismissed from the position of Chairman-CEO, unless such dismissal results from gross negligence or serious misconduct on his part or if he resigns from this position.

Pursuant to Article L.225-42-1 of the French Commercial Code, the payment of this severance would be subject to the following performance conditions:

- payment of half the severance would depend on the market performance of the Company's shares, and would be due only if the average price of the Company's shares on Euronext Paris in the last three months preceding Mr. Moulin's dismissal is less than 50% of the average price recorded since the completion of the Company's IPO;

- the payment of half the severance would depend on the progress made by the Company in its exploration and production operations; this progress will be measured and considered satisfactory if, during the six months prior to the dismissal of Mr. Moulin, at least one of the following events has occurred: (i) at least one new exclusive exploration permit or concession has been awarded; (ii) gas production has started on at least one of the Group's drilling sites; (iii) electrical power production has increased from the Gazonor production sites.

- **Mr Johannes Niemetz-** Services agreement with LFDE International

Under the services agreement signed by the Company with Karlin Limited UK ("Karlin"), a company controlled by Johannes Niemetz, the terms of which are detailed in section 3.5.2.5 below, and under which fixed fees of € 50,000 per year are payable to Karlin, Karlin grants the Company exclusivity, in consideration for which the Company has agreed to pay Karlin an amount equal to two years of consultancy fees in the event of the termination of the agreement.

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

On 1 November 2015, the Company and Mr. Forcinal signed a contract for the position of Chief Operating Officer of the Company.

Pursuant to this contract, Mr. Forcinal receives (i) fixed gross annual remuneration of €135,000, and (ii) a relocation bonus of €97,750 intended to offset the costs incurred by Mr. Forcinal, who previously worked in Switzerland, during his move to France, which will be paid until 31 December 2020. If the Company terminates Mr. Forcinal's contract following a change in control of the Company, Mr. Forcinal will have the right to receive severance pay in an amount equal to nine months of fixed gross remuneration. Housing with a maximum rental value of €1,000 a month is also provided to Mr. Forcinal.

3.5.2.5 Services agreements signed with the executive directors

- **Mister Julien Moulin**

(i) Service agreement between NextGen NRJ Limited and LFDE International

On the advice of the Appointments and Remunerations Committee, dated 30 June 2017, the Board of Directors, at its meeting held on the same date, decided to authorize and approve that LFDE International, the Company's Luxembourg subsidiary in charge of the Group's international development, sign with NextGen NRJ Limited, Monsieur Moulin's personal holding company, incorporated under UK law, a services agreement for the provision of specific public-relations services, particularly at the European level, and for the search for financing within the international investing community, particularly with those investors based in London.

The terms of this agreement are as follows:

- NextGen NRJ Limited provides two types of services:
  - public relations services: the service provider undertakes to promote the activities of the Company, particularly with the bodies of the European Union responsible for energy projects;
  - services related to the identification of external growth and financing transactions: the service provider agrees to provide its financial expertise to the Company in the preparation of future acquisitions, and to promote the Company with banks, investment funds and family offices.
- In consideration for these services, LFDE International pays NextGen NRJ Limited a monthly fee 10,000 euros before taxes.

The Board has noted that these services require specific lobbying skills and financial expertise which are distinct from the more general skills employed by Mr. Moulin in the daily management of the Company, and that NextGen NRJ Limited may employ experts other than Julien Moulin to render these services.

As NextGen NRJ Limited is granting the Company exclusivity, it was agreed that the Company would pay NextGen NRJ Limited an amount equal to two years of consultancy fees if the contract is terminated.

- **Mr Johannes Niemetz –** Service agreement between Karlin Limited UK and LFDE International

As a reminder, on 25 June 2015, the Company signed a service agreement with Karlin Limited UK ("Karlin"), a company controlled by Johannes Niemetz, for the provision of financial consulting services.

This agreement was initially signed in 2011 with European Gas Limited (Australia), then transferred to the Company in July 2012 in the context of the separation of European Gas Limited (Australia) from the rest of the Group. The consulting services provided by Karlin involve finding acquisition opportunities for the Company (including "farm-out" and "farm-in" calls for tender) and consulting on the valuation of possible targets and on the setting-up of acquisition or financing transactions.

Fixed fees of € 50,000 per year are payable to Karlin. In consideration for Karlin granting the Company exclusivity, the Company has agreed to pay Karlin an amount equal to two years of consultancy fees in the event of termination of the agreement.

It should be noted that this agreement was mentioned in the Special Statutory Auditors' Report for the fiscal year ended 30 June 2015, and was approved by the general partners' meeting of the Company held 25 November 2015. It was transferred to LFDE International by a decision of the Board of Directors, dated 30 June 2016.

Because the Board wishes to encourage the Company's international growth and find international investors, and wants to use LFDE International, the Company's Luxembourg subsidiary responsible for the Group's international development, for this purpose. it has been proposed that this agreement be transferred from the Company to LFDE International.

3.5.2.6 Other benefits

No Group company has granted loans or guarantees to the directors and officers of the Company.

3.5.3 Information on the Company's share capital

- **Distribution of their share capital**

Pursuant to the provisions of Article L. 233-13 of the French Commercial Code, we have provided below the breakdown of the Company's shareholders as at 30 June 2017:

Main 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%
EGLUK	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%
Financière de Rosario	128,992	2.5%	2.5%
Total Main shareholders	**3,953,352**	**79.4%**	**79.4%**
Others, holding less than 1.4% of capital and individual voting rights	**1,111,822**	**20.6%**	**20.6%**
Total	**5,065,174**	**100%**	**100%**

There are no securities giving rights to the capital of the Company.

- **Bonus share plan**

The Combined Ordinary and Extraordinary Partners' Meeting on 23 March 2016 approved the implementation of a bonus share plan (BSP) for some or all of the employees and executives of the Group on 30 June 2016 and, on 30 June 2017, the Board of Directors adopted the bonus share plan and defined the initial plan as detailed in 3.5.2.3 above.

- **Delegations of authority for capital increases**

The following table lists the financial delegations and authorisations in effect at 30 June 2017:

Type of authorisation	Date of BSP (Resolution N°)	Duration and expiration	Amount authorised (nominal or %)	Use
Delegation of authority to the Board of Directors to issue shares with elimination of the pre-emptive subscription right, and a public offering in the context of the Company's IPO.	23 March 2016 (resolution N° 8)	18 months	€3,000,000	Capital increase in the context of the IPO approved on 10 June 2016 by the Board of Directors and executed on 14 June 2016 by decision of the Chairman-CEO. Amount: nominal value of € 1,388,889 and share premium of € 36,111,114
Authorisation for the Board of Directors to award bonus shares to employees and corporate officers of the Company and its subsidiaries	23 March 2016 (resolution N° 9 and N° 10)	36 months	5% of the share capital of the Company (on the date of the award decision by the Board of Directors)	Award of bonus shares approved by the Board of Directors on 30 June 2016 and adoption of the Plan Rules.
Delegation of authority to the Board of Directors to decide on the issue, with maintenance of the pre-emptive subscription right, of ordinary shares or securities that are equity securities giving rights to other equity securities, or giving the right to the allocation of debt securities, or securities giving the right to equity securities to be issued.	23 March 2016 (resolution N° 11)	26 months	• Nominal amount of the capital increases limited to € 6,000,000; • Nominal amount of the debt securities limited to € 300,000,000.	
Delegation of authority to the Board of Directors to decide on the issue, with elimination of the pre-emptive subscription right, through a public offering, of ordinary shares or securities that are equity securities giving rights to other equity securities, or giving the right to the allocation of debt securities, or securities giving the right to equity securities to be issued.	23 March 2016 (resolution N° 12)	26 months	• Nominal amount of the capital increases limited to € 3,000,000; • Nominal amount of the debt securities limited to € 300,000,000.	

Nature of the authorization	Date of Shareholders' Meeting (resolution N°)	Duration and expiration	Amount authorised (nominal or %)	Use
Delegation of authority to the Board of Directors to decide on the issue, with elimination of the pre-emptive subscription right, through an offering described in Article L.411-2 II of the French Monetary and Financial Code, of ordinary shares or securities that are equity securities giving rights to other equity securities, or giving the right to the allocation of debt securities, or securities giving the right to equity securities to be issued.	23 March 2016 (resolution N° 13)	26 months	• Nominal amount of the capital increases limited to € 3,000,000; • Nominal amount of the debt securities limited to € 300,000,000.	
Delegation of authority to the Board of Directors to increase the amount of the issues executed, with maintenance or elimination of the pre-emptive subscription right of shareholders.	23 March 2016 (resolution N° 14)	26 months	15% of the amount of the initial issue	
Delegation of authority to the Board of Directors to set the issue price of ordinary shares or securities that are equity securities giving rights to other equity securities, or giving the right to the allocation of debt securities, or securities giving the right to equity securities to be issued, issued through a public offering or an offering described in Article L.411-2 II of the French Monetary and Financial Code, with elimination of shareholders' pre-emptive subscription right, up to a limit of 10% of the capital per year.	23 March 2016 (resolution N° 15)	26 months	10% of the share capital (on the date the issue price is set by the Board of Directors), per 12-month period	
Delegation of powers to the Board of Directors to decide to issue ordinary shares or securities giving rights to the Company's share capital up to a limit of 10% of the share capital, with elimination of the shareholders' pre-emptive subscription right, in consideration for contributions in kind made to the Company.	23 March 2016 (resolution N° 16)	26 months	10% of the share capital (on the date of the Board meeting that approves the issue)	

Nature of the authorization	Date of Shareholders' Meeting (resolution N°)	Duration and expiration	Amount authorised (nominal or %)	Use
Delegation of authority to the Board of Directors to increase the share capital through the issue of equity securities or securities that are equity securities giving rights to other equity securities, or giving the right to the allotment of debt securities, or securities giving the right to equity securities to be issued, with elimination of the pre-emptive subscription right in favour of the participants in a savings plan	23 March 2016 (resolution N° 17)	26 months	2% of the share capital (on the date of the decision of the Board of Directors)	
Authorisation to the Board of Directors to reduce the share capital by cancelling shares	23 March 2016 (resolution N° 18)	18 months	10% of the existing capital on the date of the cancellation per 24-month period	
Delegation of authority to the Board of Directors to decide a capital increase through the capitalisation of premiums, reserves, profits or other funds that may be capitalised	23 March 2016 (resolution N° 19)	26 months	Limited to € 3,000,000	
Authorisation to the Board of Directors to trade in the shares of the Company	23 March 2016 (resolution N° 20)	18 months	• Limited to € 20,000,000; • Maximum number of shares which the Company may acquire limited to 10% of the shares composing the share capital; • Maximum purchase price of 200% of the IPO price.	

- **Change in LFDE shares**

On 10 June 2016, the Board of Directors set the IPO price at 27 euros per share.

As on 30 June 2017, the Company's shares were traded at a value of 22.1 euros, against 21 euros as on 30 June 2016 on Compartment C of Euronext Paris.

- **Company trading in its shares**

Pursuant to Article L.225-209-1 of the French Commercial Code, we are informing you of the Company's sale and purchases of its own shares in order to regulate the share price.

During the fiscal year ended 30 June 2016, the Company traded in its own shares under a one-year liquidity contract signed with independent financial-services provider Aurel BGC, which was transferred to Midcap Partners (Louis Capital), the new service provider, on 22 June 2017.

As at 30 June 2017, the Company held 5,458 of its own shares against 4,242 own shares held in 2016, which is less than 0.1% of the share capital, purchased for an average cost price of € 22.10 (2016: € 21.49).

3.5.4 Related-party agreements

The agreements stipulated in Articles L.225-38 et seq. of the French Commercial Code, i.e. "related-party" agreements, which were authorised, prior to their signing, by the Board of Directors during the fiscal year ended 30 June 2017, will be submitted for the approval of the general meeting.

Pursuant to the provisions of Article L.225-40 of the French Commercial Code, these agreements were the subject of a Statutory Auditors' Report and must be submitted for approval of the general shareholders' meeting of the Company.

3.5.4.1 List of related-party agreements signed during the fiscal year ended 30 June 2017:

i) Fourth debt write-off for the benefit of the Company by European Gas Limited and first amendment to the Reorganisation and Cooperation Agreement of 25 June 2015

In the context of the Group's Reorganisation in June 2015, on 25 June 2015, the Company signed an agreement with European Gas Limited ("EGLUK") entitled "Reorganisation and Cooperation Agreement" (the "Reorganisation Agreement") intended to organise a separation of the two entities (the Company ceased to be a subsidiary of EGLUK as a result of this restructuring) in an ordered manner over a two-year period.

Under the terms of the Reorganisation Agreement, EGLUK and the Company also agreed to settle certain financial commitments still pending between the two companies at the end of the June 2015 restructuring. Thus, in consideration for the Company's agreement to fund, at the end of its IPO, the repayment of the € 3 million convertible debt (the "Convertible Loan") subscribed by EGLUK with some of its shareholders in 2014, EGLUK agreed to gradually forgive the EGLUK Loan over a period of five years.

Under the Reorganisation Agreement, the Company also agreed to employ its best efforts to implement, together with EGLUK, a second buyback transaction enabling EGLUK shareholders to purchase EGLUK shares (or a transaction with an equivalent result) similar to the transaction completed in June 2015, in order to allow shareholders of EGLUK who did not participate in the first buyback transaction (for example, because of applicable regulatory restrictions) to have an opportunity to become shareholders of the Company.

In addition, the principles set forth in the Reorganisation Agreement concerning the progressive waiver of the EGLUK Loan over a five-year period were detailed in an implementation agreement on 25 June 2015 signed by EGLUK and the Company (titled “Waiver Implementation Agreement”). As part of this agreement, EGLUK and the Company have already signed two debt-waiver agreements (titled “Waiver Amendment N° 1/ N° 2/ N° 3”), to forgive a portion of the EGLUK Loan for the year ended 30 June 2015 and for the first half of the fiscal year ended 30 June 2016.

Following the opinion issued by the Appointments and Remuneration Committee on 30 June 2017, the Board of Directors, at its meeting on the same date, decided to authorize and approve the fourth debt-waiver agreement (“Waiver Amendment N° 4) for the fiscal year ending 30 June 2017.

In addition, as the Company met its commitment to provide EGLUK with the funds necessary to repay the Convertible Loan, the same Board meeting on 30 June 2016 authorised and approved the amendment to the Reorganisation Agreement, which stipulates that, after 31 December 2016, the Company will no longer have an obligation to provide any financial assistance to EGLUK or to initiate any new redemption or exchange transactions for EGLUK shareholders, and that the balance of the EGLUK Loan must (unless otherwise agreed by the parties) be considered definitively forgiven.

As part of the possible political changes to mining activities, as on 30 June 2017, the Company decided to extend this agreement until the complete transfer of permits between EGLUK and FDE, so as to be able to work towards the establishment of a possible redemption or exchange operation allowing EGLUK shareholders to become direct shareholders of La Française de l’Énergie. At the end of this period, the Company will no longer have the obligation to provide financial assistance to EGLUK, nor to undertake a new redemption or exchange operation for the benefit of EGLUK shareholders if the considered options are inconclusive. The balance of the EGLUK loan shall (unless otherwise agreed between the parties) be waived definitively.

Under this contract, the following loan waivers were granted: €2.2 million for the fiscal year ended 30 June 2015, a total amount of €8 million for the fiscal year ended 30 June 2016, and €2.4 million for the fiscal year ended 30 June 2017.

ii) Shareholder loan (Deltec Bank and Trust)

In the fiscal year ended 30 June 2017, in order to continue to develop its business in the Hauts-de-France and the Grand Est, management set up a short-term shareholder loan with Deltec Bank and Trust, for a maximum amount of 4.3 million euros in 2017, of which 2.7 million euros had already been subscribed as of 30 June 2017.

3.5.4.2 List of prior related-party agreements, the performance of which continued during the fiscal year ended 30 June 2017

i) Services agreements signed by NextGen NRJ Limited and LFDE International

The terms and amounts of this agreement are detailed in paragraph 3.5.2.5 (i) above.

ii) Services agreements signed by Karlin Limited UK and the Company

The terms and amounts of this agreement are detailed in paragraph 3.5.2.5 (i) above.

iii) Reorganization and Cooperation Agreement of 25 June 2015

In the context of the Group's Reorganisation in June 2015, on 25 June 2015, the Company signed an agreement with European Gas Limited ("EGLUK") titled "Reorganisation and Cooperation Agreement" (the "Reorganisation Agreement") intended to organise a separation of the two entities (the Company ceased to be a subsidiary of EGLUK as a result of this restructuring) in an ordered manner over a two-year period.

It should be noted that this agreement was mentioned in the Special Statutory Auditors' Report for the fiscal year ended 30 June 2015, and was approved by the general partners' meeting of the Company held 25 November 2015. As on 30 June 2017, this agreement had been extended until completion of the transfer of permits from EGLUK to FDE.

3.5.5 Shareholding Employee

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we are informing you that no company savings plan has been established for the employees of the Company. At 31 December 2017, employee profit-sharing calculated according to the provisions of Article L. 225-102 of the Commercial Code amounted to 0%.

3.5.6 Payment deadlines for the Company's suppliers

As required by Articles L.441-6-1 and D.441-4 of the French Commercial Code, we are informing you that, at the close of the two fiscal years ended, the breakdown by due date of the balance of trade payables was as follows:

Trade payables	At 30 June 2017		At 30 June 2016	
	Amount	***% of total***	***Amount***	***% of total***
Due	*669,932*	*7.75%*	*2,847,680*	*66.29%*
1 to 30 days	*1,616,923*	*18.70%*	*251,454*	*5.85%*
30 to 90 days	*1,060,371*	*12.26%*	*234,813*	*5.47%*
Over 90 days	*1,584,092*	*18.32%*	*961,723*	*22.39%*
Under litigation	*3,716,522*	*42.98%*		
Total	***8,647,840***	***100.00%***	***4,295,670***	***100.00%***

3.5.7 Non-deductible expenses Fiscally

Non-tax-deductible expenses

Pursuant to the provisions of Articles 223 (4) and 223 (5) of the General Tax Code, we hereby inform you that the financial statements for the fiscal year ended included non-tax-deductible expenses in the amount of €1,849.

3.5.8 Result of the Company over the last five Exercises

Closing date Duration of the fiscal year (months)	30 June 2017 12	30 June 2016 12	30 June 2015 12	30 June 2014 12	30 June 2013 12
CAPITAL AT FISCAL YEAR-END					
Share capital	5,065,174	5,065,174	3,226,620	758,310	758,310
Number of ordinary shares	5,065,174	5,065,174	3,226,620	75,831	75,831
Number of bonds convertible into shares		-	-	-	-
TRANSACTIONS AND INCOME (LOSS)					
Revenue before tax		-	-	-	-
Income (loss) before tax, profit-sharing, amortisation, depreciation and provisions	(121,890)	1,211,814	714,852	(960,088)	(436,424)
Income tax	-	(601,378)	-	-	-
Employee profit-sharing		-	-	-	-
Amortisation, depreciation and provisions	(15,716)	(11,816)	(16,551)	-	-
Net income (loss)	(106,174)	598,620	698,301	(960,088)	(436,424)
EARNINGS PER SHARE					
Earnings after tax, profit-sharing, before amortisation, depreciation and provisions	(0,02)	0,12	0,22	(12,66)	(5,76)
Earnings after tax, profit-sharing, amortisation, depreciation and provisions	(0,02)	0,12	0,22	(12,66)	(5,76)
Dividend paid per share	-	-	-	-	-
PERSONNEL					
Average number of employees	13	16	14	7	10
Payroll expenses	954,561	1,139,324	568,530	541,091	207,371
Social contributions	587,422	465,053	257,071	222,841	82,519

4. 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.

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

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

- shortages of or delays in obtaining equipment and qualified personnel;
- facility or equipment malfunctions, drilling hazards or environmental damage;
- unexpected operational events;
- pressure or irregularities in geological formations;
- adverse weather conditions, such as flooding and storms;
- insufficient connection, storage or transportation capacity;
- 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;
- administrative delays
- legal remedies on permits
- regulatory changes
- delays in obtaining or renewing permits.

The Group's management team has identified and scheduled drilling locations on its acreage covered by the permits held by the Company over a multi-year period. The ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, seasonal conditions, regulatory approvals, natural gas prices, costs and drilling results. The final determination on whether to drill any of these drilling locations will be dependent upon different factors, particularly the results of the Group's drilling activities with respect to its established drilling locations. Because of these uncertainties, the Group does not know if the identified drilling locations will be drilled within its expected timeframe, or at all, 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 natural gas wells and drilled holes may not produce reserves of natural gas that meet its earlier estimates of economically recoverable reserves.

Prospective resources are those estimated quantities of hydrocarbons (including CBM), 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. There is no certainty that the Group will discover additional resources. 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 Group faces numerous uncertainties about the feasibility of extraction of hydrocarbons. 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. In the production phase, hydrocarbon reserves generally decline at a shallow rate after initial increases in production. 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.

The plan to ultimately 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 break-downs 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 break-downs 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 break-downs 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.

In addition, 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 hydrocarbon indicators and do not enable geoscientists to know definitively whether hydrocarbons are, in fact, present in those structures or the amount of hydrocarbons 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 many 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;
- uncontrolled flows of natural gas or well fluids;
- 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 hydrocarbons 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 the course of exploration. Should the estimate of hydrocarbon 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 natural gas, the quality of the natural gas must comply with certain criteria (for instance, in terms of percentage of methane). If the quality of the natural 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 natural 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 hydrocarbon (including CBM) set out in the Registration Document published for the Company initial public offering and included in its annual report. In such 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 activities of the Group are dependent 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 heir 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 declines in natural 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 natural gas assets

The market price of, and demand for, natural 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 natural gas energy industry is subject to ongoing development throughout the world and the entry of new competitors. New competitors could either operate in the natural gas sector (for example, in the development of shale natural 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 natural gas resources and reserves operated by the Group.

It is impossible to accurately forecast future natural gas price movements, and there can be no assurance that existing natural gas prices will be maintained in the future. Any material decline in natural 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 natural 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 natural gas production related activities to be undertaken by the Group.

Declines in natural 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 natural gas assets.

The Group is required to perform impairment tests on proved natural gas assets for each annual accounts 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 natural 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 natural 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. Likewise, further declines in the price of natural gas may cause a decrease of the expected future cash flows and require an impairment loss to be recognized.

4.2 Specific Risks Associated with the Group and its Activities

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.

The Group has incurred losses and has earned no revenue over the past two fiscal years, and it may never achieve a sustainable profitability

For the fiscal years ended 30 June 2016, and 30 June 2017, 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 speculative and at an early stage of development, and its success will depend upon the Group's management ability to manage the current projects and to identify and take advantage of further opportunities which may arise. Before the closing of the acquisition of Gazonor, the Group had no assets producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from economically viable projects. Even after the acquisition of Gazonor, there is no guarantee that the cash flows generated by Gazonor are sufficient to cover the working capital requirements of the Group in the future.

Gazonor's capacity of development, the amount of results expected and its capacity to achieve its business plan are uncertain. The Group may be unable to meet its development objectives and its activity may not attain results and return on investment. As a young exploration company, market perception, in particular in the natural gas sector, may quickly change, which could impact the Group's reputation and, as a result, the value of investors' holdings, creating the volatility of the valuation of the Group.

The Group's projects have no recent operating history upon which to base estimates of future cash operating costs. 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 Group's actual results of operations may differ significantly from certain information included in its Registration Document or expert reports

The Group has included in its Registration Document published for the Company initial public offering certain information from the CPR (Competent Person Report), because the Group believes that their evaluations are helpful to an investor's understanding of its business operations. These reports are based on certain assumptions, including, among others, forward-looking assumptions about development time frames including government approvals and development of infrastructure, production capacities, fixed capital costs, operating costs, product prices, sales levels, inflation rates, exchange rates and financing costs. This information is provided for illustrative purposes only. Investors should in particular make their own assessment as to future prices for natural gas and as to the appropriate discount rate for projects of this size and type.

These forward-looking assumptions may differ from the Group's development plans or may require revision in light of actual production experience, operating costs, natural gas prices and other factors. In particular, operating costs, product prices, exchange rates and financing costs have been assumed based on current market conditions which may or may not prove to be stable in the medium to long-term. These costs and exchange rates have experienced significant fluctuations in the past and may fluctuate in the future. The Group cannot assure you that its actual net present value, operating costs and earnings, among other things, will not differ materially from its estimates in its Registration Document published for the Company initial public offering and included in its annual report. If there is a significant change in the above factors, the Group's actual results of operations may be materially and adversely affected. You are therefore cautioned not to rely unduly on the conclusions stated in the reports.

The reserves and resources data for the Group's natural 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 discovery and extraction of hydrocarbons, 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 hydrocarbons estimated may be insufficient or incapable of extraction, or exploitation may not be commercially viable. Consequently, the Group cannot guarantee a return on any investments that are, or that will be, made with respect to future exploration, or that current exploration activities will be profitable.

Numerous uncertainties exist in estimating quantities of natural 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 natural gas that cannot be measured in an exact manner. Estimates of economically recoverable natural 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 natural gas.

Moreover, the natural gas estimates for Lorraine and Nord-Pas-de-Calais projects provided include prospective resources. Unlike reserves and contingent resources for natural 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 natural 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, natural gas reserves, any one of which may vary considerably from actual results. These factors and assumptions include: natural 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 CBM or CMM ultimately recoverable, the effects of regulation, including the issuance of required permits, and taxes, including severance and production taxes and royalties, and other payments to governmental agencies and timing for the development of the reserves.

The Group's actual production, revenues and expenditures with respect to its natural 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 natural 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 natural 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 natural gas reserves involve multiple uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. Natural 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 natural 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 recovery techniques; and changed economic conditions.

Further, the Group has provided certain estimates regarding natural 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 natural 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 and accordingly, investors should not rely on this natural 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 natural gas resources and reserves

The future success of the Group's natural gas business depends upon the ability of the Group to find, appraise, develop and acquire additional natural 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 natural gas resources and reserves, in order to continue its exploration activities and develop into production. In addition, currently identified natural 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 natural 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 natural 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 forecasted 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 exploration, development and production activities;
- natural gas prices;
- its ability to locate and acquire hydrocarbon reserves;
- its ability to produce natural 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 and development plans relating to exploration

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 book 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 hydrocarbon 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

Prior to the acquisition of Gazonor, the Group was in the exploration and appraisal stage for all of its assets. 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 natural 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 hydrocarbon production under the circumstances expected, and a small number of customers may account for a significant portion of the Group's total operating revenues in the future

After successful completion of its exploration and appraisal campaigns, the Group is planning to enter into production and start commercializing its CBM natural gas or oil production. To that effect, 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 may account 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. The Group can neither guarantee that it will manage to distribute its natural gas at an acceptable cost, nor that it will have sufficient resources to make the adequate investments in equipment or have personnel dedicated to the commercialization of its natural 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 externalize 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

The Group has engaged into acquisitions of assets recently and continues to evaluate mergers and acquisitions opportunities in France and Europe. As the acquisitions of Gazonor and Concorde Energy Inc. are now completed, the Group will seek to exploit its existing French, Belgian and German exploration and production acreage, pursue attractive opportunities to acquire or obtain participation interests in additional assets, and obtain 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 enable extraction 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 natural 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 it 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 is subject to its relations with the different stakeholders and is exposed to the reputational prejudices affecting natural 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, natural 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 natural 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 natural 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 Group may not be able to obtain access to infrastructure, distribution and transportation to market its CBM

The marketability of the Group's CBM depends upon the proximity of its reserves to, and the capacity of, facilities and third-party services, including natural gas gathering systems, pipelines, trucking or terminal facilities, and processing facilities, railroads, ports as well as the existence of adequate markets. The Group relies (and expect to rely in the future) on facilities developed and owned by third parties in order to carry out the Group's production, and store, process, transmit and sell its natural gas. The Group's plans to develop and sell its natural gas could be materially and adversely affected by the inability or unwillingness of third parties to provide sufficient transmission, storage or processing facilities, especially in European countries of planned expansion for the Group, where such facilities or access to such facilities do not necessarily exist.

Failure to obtain adequate storage facilities or any reduction in any storage facilities obtained arising from adverse weather conditions, or due to other emergencies and/or due to the need to protect the environment or to comply with the relevant legislations could adversely affect the Group's business, financial condition, results of operations, prospects, and future operations. In the event of insufficient capacity available on these systems, or if these systems were unavailable to the Group, the price offered for its production could be materially adversely affected as the Group could be forced to reduce production or delay or discontinue drilling plans and commercial production following a discovery of reserves while the Group constructs its own facility. In addition, regulation of natural gas production transportation in the countries in which the Group operates may affect its ability to produce and market its products on a profitable basis. A shut-in, delay, or discontinuance could adversely affect its financial condition and results of operations.

In addition, transportation and distribution costs represent a significant portion of the total cost for its domestic and export customers. The cost and availability of transportation is a key factor in a customer's purchasing decision and impacts the Group's sales and the price received for its natural gas.

The Group may face supplies, equipment, materials and personnel shortages, and operating cost pressures

The strong commodity cycle over recent years and large numbers of projects being developed in the resources industry has led to increased demand for, and shortages in, skilled personnel, contractors, materials and supplies that are required as critical inputs to the Group's operations. In particular, the availability and cost of labour and construction materials will be critical to the growth and development of the Group's business. An increase in drilling operations in France or abroad could therefore affect the availability of equipment and services to the Group. Shortages and increases in the cost of inputs could also lead to increased capital and operating costs and could impact the schedule of the Group's exploration and development plans. Such changes may require the Group to seek additional funding and incur additional debt which may adversely affect the Group's business, financial condition, results of operations, prospects, and future operations.

If any of the above occurs, 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 exploration and appraisal activities and, in case of discovery, to exploit reserves, and may as a result adversely affect its operations and profitability. Should the Group decide to enter into exclusive 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.

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

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

The Group plans to test and exploit CBM reservoirs using multi-lateral wells. This type of well, sometimes referred to as "horizontal", are widely used in the international hydrocarbon 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 research and development activities and monitor the development of competing technologies. The Group's failure to adapt successfully to these changes in the competitive landscape could also result in a loss of market share, decreased revenue or a decline in profitability.

The Group is a small start-up gas operator, and faces significant competition from larger, well-established natural gas companies that may compete to find reserves on the same parcels of land the Group is exploring

The Group operates in a challenging business environment where there is intense competition for access to exploration acreage, natural gas markets, natural 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 hydrocarbon 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, France BridgeOil, Celtique Énergie, Egdon Resources, ENGIE, ENI, Geopetrol, Ineos, Lundin, Maurel et Prom, Moore Energy, Petroineos, Petromanas Energy France, Petrorep, PetroServices GmbH, Primagaz, Poros, Sapetro et SCDM Energie, Sasca, Shell, SPPE, Statoil et Trapil, 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 natural 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 operate. 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 experience difficulty in achieving and managing future growth, and future growth may place strains on its assets

The Group's ability to grow its business will depend on a number of factors, including, but not limited to:

- the ability to obtain permits on or acquire interests in suitable assets;
- the ability to identify and acquire new exploratory prospects;
- the ability to develop existing prospects;
- the ability to continue to retain and attract skilled personnel;
- the ability to maintain or enter into new relationships with project partners and independent contractors;
- the results of the Group's drilling programs;
- commodity prices; and
- access to capital.

The Group may not be successful in upgrading its technical, operations, and administrative resources or in increasing its ability to internally provide certain of the services currently provided by outside sources, and the Group may not be able to maintain or enter into new relationships with project partners and independent contractors.

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 geographical concentration of its assets exposes the Group to a risk

The concentration of the Group's natural gas proven reserves and prospective resources, as well as its natural gas production, in France increases its exposure to an event that could adversely affect the development or production of natural gas in a limited geographic area, including catastrophic damage to wells, pipelines, installations, natural catastrophes, terrorist attacks and other acts of violence or events that could result in the loss of the Group's natural gas reserves or impact the supply of its natural gas production. The geographic concentration of the Group's producing assets in France means that some or all of the assets could be affected should the region experience severe weather such as storms and hurricanes, delays or decreases in production, the availability of equipment, facilities, services, capacity to transport, gather or process production; and/or changes in the regulatory environment. Hence, the Group's future production will be highly dependent upon its success in acquiring or finding and developing additional reserves in a timely and cost-effective manner. If the Group is unsuccessful, its total proved reserves and production will decline, which will adversely affect its results of operations and financial condition. There may be potential risks associated with the Group's operations not covered by insurance. There also may be certain risks covered by insurance where the policy does not reimburse the Group for all of the costs related to a loss. Because all or a number of the assets could experience any of the same conditions at the same time, these conditions could have a relatively greater impact on the Group's results of operations than they might have on other producers who have assets over a wider geographic area.

The Group is dependent on its senior management team and 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, hydrocarbon resources. The Group also requires specific personnel who have specialized experience working in adverse conditions or have knowledge of 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 natural 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 labor 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, the employees' working time arrangements, its staff representatives and the frequency of its meetings or use of independent contractors that may cause increased costs.

The Group may be unable to dispose of non-strategic assets on attractive terms, and may be required to retain liabilities for certain matters

The Group expects to regularly review its asset base for the purpose of identifying non-strategic assets. Various factors could materially affect the ability of the Group to dispose of nonstrategic assets or complete previously-publicized dispositions, including the availability of purchasers willing to purchase such non-strategic assets at acceptable prices.

Sellers typically retain certain liabilities or indemnify buyers for certain matters. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestments, third parties may be unwilling to release the Group from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, the Group may remain secondarily liable for the obligations and/or indemnities guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations.

The Group has recorded goodwill (not yet allocated depending on the reserves and sites' resources) of an amount of €18,765,531 in its pro forma statements of 30 June 2015, corresponding to the acquisition of Gazonor. Goodwill amounting to 25,336,331 euros was also allocated to the gas reserves and mining rights held by the LFDE International SA Group in the Hauts-de-France, adjusted for a €7,102,574 deferred tax liability.
Moreover, the Group will have the possibility to continue to record goodwill in the future. The determination of goodwill is based on hypothesis and estimates. These hypothesis and estimates may not be materialized. Any variation of the environment compared with these hypothesis and estimates might require the Group to impair its goodwill hence computed, which may have a material adverse effect on the Group's results and financial situation.

4.3 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 natural 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 Group is subject to governmental regulations relating to the natural 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 natural 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.

In addition, the regulatory and contractual environment inherent to the Group's activities in the hydrocarbon sector may include specific provisions that may apply in the event of a change of control of the Company. Thereby, pursuant to Article 43 of the Decree n°2006-648 dated 02 June 2006 relating to mining permits, a change of control of the Company is subject to the prior information of the French minister in charge of mines (currently the French minister of ecology, sustainable development and energy – the "Minister of Ecology") who has two months – that may be extended – from the date on which the authorization request is received to contest it. This process may therefore impact on certain transactions, in particular on their timetable. Moreover, pursuant to the same Article, the Company shall inform the Minister of Ecology of any significant change which could modify the technical and financial capabilities, this information being not submitted to specific deadlines.

Further, any governmental action concerning the conventional and unconventional natural 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 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 hydrocarbons, 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 natural 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 natural 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.

It is with the greatest care that the Company is following the parliamentary debates on the

government's draft law, introduced on 06 September 2017, which seeks to put an end to the search for and exploitation of conventional and non-conventional hydrocarbons, to ensure that its activities are not affected, or are affected as little as possible, by this law.

The Group operations depend on regulatory permits and authorizations that might not be obtained, maintained, or renewed

Natural gas exploration and production activities are strictly regulated in France, particularly with respect to the grant, renewal and transfer of mining permits (exploration permits, called "*permis exclusifs de recherches*" under French law (the "PER") and production permits, called "Concessions" under French law (the "Concessions").

For instance, the following operations require prior approvals and/or opinion from the French Minister of Ecology or other administrative authorities, both at the national and local level: obtaining a permit for the first time, start drilling works under such permits, obtaining the renewal of existing permits or their transfer, or obtaining the conversion of exploration permits into Concessions. In some instances, French law also requires the organization of public enquiries.

The Group's intended activities depend upon obtaining the appropriate permits, Concessions, authorizations and regulatory consents which could subsequently be withdrawn, annulled or repealed, or made subject to limitations, or which may be subject to administrative or court challenges by third parties. The Group cannot guarantee that it will obtain or maintain all the permits it will need in accordance with its business and development plan, that its existing permits will be renewed or transferred as requested by the Group, or ultimately converted into Concession, or that other permits will be obtained in the future.

Approval of the Group's applications for procuring or renewing government permits may be delayed

The Group might not be able to obtain in a timely manner all the necessary approvals from the Minister of Ecology and other administrative authorities, both at the national and local level, and from surface owners, municipalities or other third parties, for carrying out its activities. The processing of the Group's application for exploration permits has been, and may in the future continue to be, subject to delay.

For instance, the review and processing by the Minister of Ecological and Solidarity-based Transition of the applications submitted by the Company for the grant of new exploration permits or the renewal of its existing exploration permits, or the transfer from EGLUK to the Company of certain exploration permits, have been delayed. Moreover, the government may decide, without necessarily modifying the applicable law, to not grant or renew the exploration permits anymore.

Should the decisions to award the Company the requested grant or renewal of exploration permits be further delayed, the Company may be required to resubmit an application. It may risk losing its existing rights or not being able to obtain new rights. Such circumstances could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

The Group may not be able to maintain, extend, or renew its existing permits, or obtain new permits

The Group has filed various exploration permit applications and intends to file more applications, including application for conversion into Concessions, in the course of its development. If the Group does not demonstrate to the French authorities that it has the financial and technical capacities necessary to operate its exploration or production activities, such permits may not be renewed or new permits may not be obtained.

The Group has filed renewal applications for certain of its permits, but no renewal decision has been issued before the formal date of expiry of such permits. There can however be no assurance that the Group will ultimately be able to renew its permits. Under the French Mining Code, in case the administrative decision to renew an exploration permit has not been issued before the expiry date of the permit, the permit holder is entitled to continue exploration within the requested perimeter for the renewal of the permit (which shall be reduced compared to the initial perimeter) until an explicit decision is issued by the Minister of Ecology. Any past failure by the applicant to fulfil the work program and financial commitments set forth under the license coming for renewal may adversely affect the renewal decision.

More generally speaking, for the reasons mentioned above, there can be no assurance that the Group will ultimately be able to renew its permits when they expire, convert exploration permits into Concessions or obtain additional permits in the future. If the Group cannot renew some or all of it exploration permits, or obtain their conversion into Concessions, the Group will not be able to claim the benefit of the resources and reserves associated with the permits and will not be able to engage into production.

Failure by the Group to obtain the renewal of its existing permits or their conversion into Concessions, or failure to obtain new permits, could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and future operations.

The Group may not be able to obtain the transfer of its permits

The transfer of mining permits requires approval from the Minister of Ecological and Solidarity-based Transition, which could delay or hinder the transfers of certain exploration permits from EGLUK and Heritage Petroleum PLC to the Company.

There can be no assurance that transfers will be approved or granted. Any delay or failure to receive the approvals for such transfers, or any termination, suspension or withdrawal of permits may have a material adverse effect on the Group's resources, reserves, business, financial condition, results of operations, prospects, and future operations if the terminated permit relates to material assets of the Group.

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 natural 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 hydrocarbon exploration and production activities. Among these risks are eruptions of crude oil or natural gas during drilling, wellhead cave-ins and spills or leaks of hydrocarbons, leading, in particular, to risks of toxic spillage, fire or explosions. All these events are capable of damaging or destroying the hydrocarbon 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 natural gas exploration/production activities can also endanger water resources and the quality of subsoil, especially in the case of hydrocarbon 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 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.

4.4 MARKET RISKS

Activities relating to the exploration, appraisal, development, and production of natural 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 joint venture partners, its customers, and counterparties in the financial services industry, such as commercial banks, insurance companies and other institutions. These transactions expose the Group to credit risk in the event of default of the counterparty. Deterioration in the credit markets may impact the credit ratings of current and potential counterparties and affect their ability to fulfil their existing obligations to the Group 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 France 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.

4.5 RISK PREVENTION AND MANAGEMENT

Insurances taken out by the Company

The Company has set up a policy of covering the major insurable risks with cover amounts it deems in accordance with its activity within the Group. The expenses paid by the Company for all insurance policies amounted to 381,466 euros for the fiscal year ended 30 June 2017, against 99,553 euros for the fiscal year ended 30 June 2016. The insurance policies taken out by the Company are summarized as follows:

Insurance Company	Type	Amount (EUR) 2017	Amount (EUR) 2016
Marsh	Directors' and officer's civil liability IPO	19,170	55,343
AXA	Directors' and officers' civil liability Office Environment	4,906	6,604
JLT Group	Civil Liability	357,390	37,606

Internal audit and risk management

Moreover, the Company has implemented a process for the prevention, monitoring and management of the aforementioned risks, described in the Chair's report on the internal audit, and the implementation of a Group-wide Occupational-Risk Assessment is currently being finalised.