



# ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED 30 JUNE 2020

## **LA FRANÇAISE DE L'ENERGIE**

Limited company with a share capital of €5,155,890  
Corporate headquarters: 1 avenue Saint-Rémy, Espace Pierrard, 57600 Forbach  
501 152 193 RCS Sarreguemines

## 1. DECLARATION OF THE PERSON IN CHARGE

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I hereby certify that, to the best of my knowledge, the Financial Statements for this 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 perimeter, as well as a description of the main risks and uncertainties they may face.

Forbach, on October 28, 2020



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**Julien MOULIN**

Chairman and Chief Executive Officer

## 2. STATUTORY AUDITORS

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### 2.1 LEAD STATUTORY AUDITORS

- **Mazars**

Member of the *Compagnie Régionale des Commissaires aux Comptes de Colmar* (Colmar Regional Association of Statutory Auditors).

Represented by Laurence Fournier

1, rue des Arquebusiers, 67000 Strasbourg

Appointed by decision of the Shareholders on 29 November 2019 for a six-year term, expiring at the close of the General Shareholders' Meeting called to approve the Financial Statements for the fiscal year ended 30 June 2025.

- **CBP Audit et Associés**

Member of the *Compagnie Régionale des Commissaires aux Comptes d'Aix-en-Provence – Bastia* (Aix-en-Provence - Bastia Regional Association of Statutory Auditors).

Represented by Mr Daniel Noël

3, quai Kléber, 67000 Strasbourg

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

### 2.2 ALTERNATE STATUTORY AUDITORS

- **Ms Isabelle Lecomte Calvet**

Member of the *Compagnie Régionale des Commissaires aux Comptes d'Aix-en-Provence – Bastia* (Aix-en-Provence - Bastia Regional Association of Statutory Auditors)

2, boulevard de Gabés - 13008 Marseille

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

### 3. GROUP FINANCIAL REPORT AND PRESENTATION

Ladies and Gentlemen,

Pursuant to Articles L. 225-100, L. 233-26, and L. 232-1 of the French Commerce Code, we hereby present the Management Report of *La Française de l’Energie* SA (hereinafter referred to as the “Company”) and the Group (hereinafter referred to as the “Group”) for the fiscal year from 01 July 2019 to 30 June 2020.

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

##### 3.1.1 Group perimeter

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

The subsidiaries held by the Company, whether directly or indirectly, are described below. As of 30 June 2020, none of the Company’s subsidiaries were listed on any stock market, whether regulated or not.

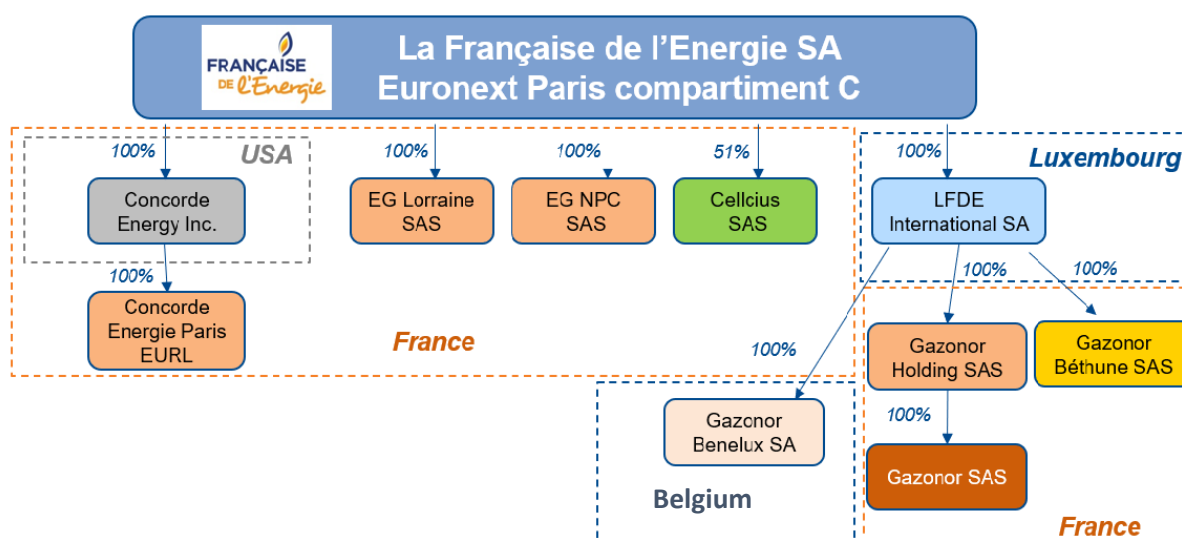
Information on the Group’s main subsidiaries appears below:

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

| Address and Trade and Companies Registration N°   | Share Capital | % Equity Interest | Activity   |
|---|---------------|-------------------|--|
| <b>FOREIGN COMPANIES</b>  |               |                   |  |
| <b>Concorde Energy Inc.</b><br>1537 Bull Lea Road<br>Lexington, Kentucky 40511<br>(USA) | \$6,391,199   | 100%              | Holding company  |
| <b>Gazonor Benelux SA</b><br>Voie de l'Air Pur 17-19<br>4052 Chaudfontaine<br>(Belgium) | €300,000      | 100%              | Operational company<br>(with Anderlues,<br>Wallonia, exploitation<br>permit) |
| <b>LFDE International SA</b><br>76-78 rue de Merl<br>2146 Luxembourg<br>(Luxembourg)    | €1,000,000    | 100%              | Holding company  |
| <b>Gazonor Béthune SAS</b><br>Rue du Siège Zal de la Fosse 7<br>62210 Avion             | €10,000       | 100%              | Operating company<br>(Béthune project)                                       |
| <b>Cellcius SAS</b><br>1 avenue Saint-Remy<br>57600 Forbach                             | €1,000        | 51%               | Operating company<br>(Creutzwald solar-thermal<br>project)                   |

The scope of consolidation has changed over this fiscal year compared to 30 June 2019, with the creation of Gazonor Béthune SAS and Cellcius SAS, operating companies in which the Group has stakes of 100% and 51% respectively, and which are consolidated by global integration. There were no other changes in scope during this fiscal year.

The following organisational chart illustrates the Group's legal structure and, in particular, the main subsidiaries held by the Company, whether directly or indirectly, as of 30 June 2020.



### 3.1.2 Business activity and development

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

*La Française de l'Energie* is the main producer of gas and green electricity from mine gas. The Group exploits this fatal gas in short circuits in the former mining basins of the North (Hauts-de-France) and East (Lorraine) of France and in the South of Belgium (Wallonia). Committed to industrial ecology for the past decade, the Group helps provide ecologically and economically competitive energy in the territories in which it operates.

Thanks to the capture of gas in the former mining galleries in the Hauts-de-France, the Group is one of the main contributors to the reduction of the region's carbon footprint, avoiding more than 600,000 tonnes of CO<sub>2</sub> emissions per year on its four sites, according to an Ineris report published in January 2019. The Group's objective is to continue its development activity at its existing sites and throughout the Hauts-de-France basin in order to eradicate the release of coal-bed gas in the atmosphere while continuing to grow in Wallonia to establish itself as a major player in the European ecological transition. The Group is already the main contributor in the effort to reduce the carbon footprint of the Hauts-de-France, and is expected to reach an important target by the year 2021, with one million tonnes of CO<sub>2</sub> eq avoided per year by capturing and monetising mine gas escaping from the former mining galleries. As such, the project to eradicate mine-gas released into the atmosphere in the Hauts-de-France has been selected by the Region and the European Union to benefit from ERDF funds for its deployment.

In Lorraine, the Group's project, to produce coal gas to replace imported gas, continues to grow. The REGALOR project, selected in the Lorraine Regional State Pact for the development of an energy valley in Lorraine, continues to be developed by *La Française de l'Energie* and the University of Lorraine, in order to implement the best practices in terms of monitoring the impacts of coal-gas production. The Group also continues to make progress on the administrative aspects related to this coal-gas production in Lorraine, which seeks to replace imported gas with gas produced in France, with a significantly lower carbon footprint and produced under the best ecological conditions. At the same time, the Group continues to develop its research around the possible coal gas development in the form of decarbonized hydrogen, given the development of a hydrogen ecosystem in Moselle.

The portfolio of permits held by the Group in France consists of several exclusive exploration permits currently valid, under renewal, or subject to concession applications, and of concessions which will remain valid until 2042 in the Hauts-de-France and 2038 for the Anderlues operating permit. These permits confer an exclusive right to the gas available. The subsoils and geology of these areas have been well explored, documented and mapped through hundreds of years of mining activities, thousands of wells already drilled, and other historical drilling and seismic-study activities, giving the Group a significant competitive advantage.

*La Française de l'Energie* currently operates 6 sites in France and Belgium: 5 power-generation sites (with 8 cogenerations of 1.5 MW, *i.e.* an installed capacity of 12 MW) and 1 site for the injection of gas into the grid.

The Group's commitment to quality regarding its teams, clients, investors, subcontracting partners and creditors remains paramount with the recent ISO 9001 certification for all the activity currently in production in the Hauts-de-France and Wallonia.

Finally, the Group is accelerating the deployment of new activities in renewable energy, with solar-thermal and photovoltaic projects seeking to put into production new decentralized energy-generation

sites valued in short circuits.

As part of its Corporate Social Responsibility policy, the Company – along with its employees and all its partners – is committed to a business attitude characterized by integrity and respect for the law. In addition to protecting the environment, this commitment also includes respect and support for the Universal Declaration of Human Rights, as adopted by the United Nations, labour standards set out by the International Labour Organization (ILO), a zero-tolerance policy towards corruption, fraud or money laundering, data and intellectual-property protection, compliance with all relevant laws and regulations, and good corporate citizenship in general.

While supporting all 17 “Sustainable Development Goals” (SDGs), as defined in September 2015 by the United Nations for the period 2015-2030, *La Française de l’Energie* can contribute to these objectives mainly in its own areas of competence which include energy projects, energy, and efficiency projects.

The Group considers itself particularly well placed to work on these objectives. *La Française de l’Energie* has been committed to sustainable development and the development of short energy-production and recovery circuits for over a decade with strong conviction, supported by the relevance of its business plan. Therefore, the Group’s model – focused on decentralized energy production, eliminating as much transportation as possible, and responding as precisely as possible to the needs of the territories in which it operates – is particularly virtuous and relevant in the context of the ecological transition.

The “Innovative Company” label by BPI France also confirms the Group’s excellent positioning.

## **(ii) Turnover and production**

*La Française de l’Energie* achieved an unchanged turnover of €7.9M over the 2019/2020 period, in a context of an acute health and economic crisis. During this unprecedented period, management has put in place measures from the beginning of March to adapt the organization of the Group’s work in order to continue all its activities.

### **Evolution in sales between fiscal years 2019 and 2020**

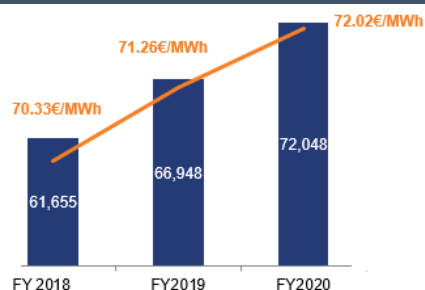
| €                     | FY2020           | FY2019           | Var.           | Var. %       |
|-----------------------|------------------|------------------|----------------|--------------|
| France - Gas          | 1,949,272        | 3,017,009        | -1,067,737     | -35.4%       |
| France - Electricity  | 5,189,153        | 4,770,637        | 418,516        | 8.8%         |
| Belgium - Electricity | 716,949          | 126,069          | 590,880        | 468.7%       |
| <b>Total Turnover</b> | <b>7,855,374</b> | <b>7,913,715</b> | <b>-58,341</b> | <b>-0.7%</b> |

*La Française de l’Energie* maintained its activity at all its sites and recorded an increase in gas (up 24%) and electricity (up 35%) production volumes compared to last year.

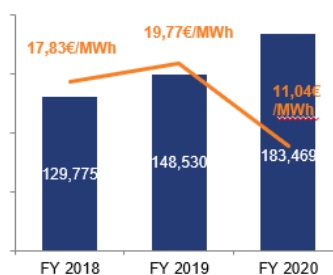
The Group’s green-electricity production business, which accounts for 75% of turnover, has remained very dynamic thanks to the optimization of its sites in France (availability rate > 97%) and the full contribution of the Anderlues site in Belgium (9% of total turnover). Thanks to the guaranteed feed-in tariff in France over 15 years under the obligation to purchase green-electricity production, the turnover of this activity, secured at more than 87%, reached almost €6M at the end of June 2020 and shows a growth of 21% compared to the 2018/2019 fiscal year.

As expected, the strong performance of the Group’s gas production, where volumes increased by 24% in the space of a year, is offset by the fall in market prices linked to the global economic downturn, with an average gas selling price dropping from €19.77/MWh to €11.04/MWh (-44%) in one year.

### France – Electricity: Quantities (MWh) / Prices



### Gas: Quantities (MWh) / Prices



On the basis of the good operational performance of its business and the volumes produced, the fall in gas prices and, to a lesser extent electricity prices in Belgium, due to the health crisis, resulted in a drop in turnover of some €1.7M, while the Group is still awaiting the recognition and valuation of the green certificates associated with its activity in Wallonia for an amount of more than €1.4M.

### (iii) EBITDA and operating income

EBITDA remained positive for the second year in a row, reaching €1,057K in 2020. This is down from the previous year, which had an EBITDA of €2,275K and included, in operating revenue, Research Tax Credits (*Crédits Impôts Recherche*, or CIR) for calendar years 2015 to 2017 for a total amount of €910K, as well as the reimbursement of taxes paid but not due by Gazonor over the years 2016 to 2018, amounting to €300K, in other revenues. Excluding these non-recurrent items, EBITDA for the year remained stable compared to last year.

This good profitability of the Group was driven by the decrease in the cost of goods and services sold by units produced and other administrative and operational expenses, including personnel costs, thus confirming the Group's ability to develop its business while controlling its cost structure.

The net increase in provisions shows a revenue of €135K compared to a charge of €128K in 2019, related to €162K in reversals recorded on provisions for risks as a result of the end of the tax audit at *La Française de l'Energie*.

Depreciation and amortisation expenses rose sharply, from €879K to €1,200K, following the commissioning of the electric motors at the Avion site (+ €149K), the depreciation of the Anderlues site after it was put into production in April 2019 (+ €92K), and the first application of IFRS 16, resulting in the recording of an amortisation allowance of €82K this year.

These items thus impacted the operating result, which amounted to (€143K)

### (iv) Investments

The year ending 30 June 2020 was a transition period for the *La Française de l'Energie* Group in terms of investments, particularly after a 2019 fiscal year which saw the completion of two significant projects: the installation of three new Siemens electric motors at the Avion site for approximately €1.3M, in order to make the gas injection more reliable (activity currently accounting for 24% of turnover), and the commissioning of the Anderlues site in Belgium, with over €1.9 of investments (3 MW installed).

Nevertheless, the Group continued to invest throughout this year on three areas of development:



- The launch of new projects: the construction of the largest solar-thermal power plant in France, injecting the heat produced into an urban-heating network in Creutzwald (€594K of investment as of 30 June 2020) and a new production site dedicated to the supply of gas, green electricity and heat to the inhabitants of the city of Béthune (€1,137K investment at the closing date).
- In Lorraine, exploration costs increased by €357K on the Bleue Lorraine permit, mainly on maintenance.
- Also in Lorraine, a financial lease is in place to finance the construction of an office and warehouse complex in the Faulquemont (Moselle) business area, that will allow the Group to avoid disbursement of rents for offices and warehouses currently being paid. Out of an estimated budget of €940K, €686K have already been invested as of 30 June 2020, for a project that will be completed in October 2020.

On the Balance Sheet, the exploration assets on the various permits post a net worth of €45,059K, of which €42,944K for the Bleue Lorraine permit on which a concession application filed in November 2018 is currently ongoing.

Property and equipment, excluding mining rights, amounted to €10,757K at 30 June 2020, compared to €9,166K a year earlier, with the industrial tool allowing now the Group to be in line with its growth and development objectives.

## **(v) Cash and Financing**

The Group's net cash position at 30 June 2020 reached €3,769K, a very strong improvement of €2,604K compared to 30 June 2019. This favourable trend was due to a sharp increase in financing cash flows of €4,178K, more than offsetting investment activity that remained relatively measured in 2020.

Cash flows from operations were positive for the year, at €797K over the twelve months. This has been directly impacted by the fall in gas and electricity prices in Belgium and is down €1,416K compared to the previous period.

Cash flows from Investment, as previously explained, were negative for the year at €2,372K, notably with the development of the solar-thermal project in Creutzwald and the launch of the gas, electricity and heat delivery project in Béthune, partially offset by subsidies received from the Energy Economics Certificates and the Ademe heat fund. Investments were lower than the previous year, which had seen investments to make the Avion site more reliable with new Siemens engines and the development of the abandoned mine methane business at the Anderlues in Belgium.

Cash flows from financing was positive by €4.178K compared to negative cash flows of (€707K) last year, as the Group benefited from the conclusion of three new loans over the period:

- €1.340K between Gazonor and Bpifrance Financement in October 2019 to refinance engines at Avion,
- €4.240K concluded between Gazonor Benelux and Triodos Bank in December 2019 for the refinancing the two cogenerations installed at the Anderlues site in Belgium, and
- €1,600K State-Guaranteed Loan between Gazonor, LCL and the Société Générale in June 2019, in order to strengthen the Group's cash position following the COVID-19 health crisis.

The other flows are mainly related to the repayment of quarterly maturities on the BPI/Landesbank Saar loan and the Shareholder loan for a total of €2,528K.

For the 12 months to 30 June 2021, the Group's cash-flow forecasts confirm the Group's ability to continue its operating activity, meet its cash requirements and meet its debts obligations.

The Group's debt remains low, with a net debt-to-equity ratio of 29% at the end of June 2020, compared to 23% at the end of June 2019, leaving considerable room for further leverage to finance future developments.

At the date of preparation of these Financial Statements, the Group is engaged in several discussions with potential financial partners to finance its growth plans, including its solar-thermal project, the development of the Béthune project and the installation of additional cogenerations in the Hauts-de-France and Belgium.

Based on these discussions and past experience, the Group remains optimistic about its ability to implement its development plan.

### **3.1.3 Significant events which occurred during the year**

#### **OPERATING PROJECTS**

##### **(i) Photovoltaics projects – Partnering with Total Quadran**

An exclusive partnership was signed in November 2019 between *La Française de l'Energie* and Total Quadran in order to jointly and exclusively develop the production of photovoltaic electricity in the Hauts-de-France and the Grand-Est and to deploy innovative solutions, adapted to the specificities of the so-called degraded terrain that the Group wishes to develop, while meeting the growing needs of renewable power generation.

The aim is to secure more than 100 MW of photovoltaic projects by the end of 2020, by upgrading brownfield sites and hard-to-develop lands. Each of the selected projects or group of projects will be carried out by a project company in which *La Française de l'Energie* Group would hold a stake of between 10% and 49%, with Total Quadran owning the rest.

This partnership has no impact on the consolidated Financial Statements as of 30 June 2020, as no project company has yet been incorporated and no significant costs have been borne by *La Française de l'Energie* in this context.

##### **(ii) Abandoned Mine Methane Projects – 2G Framework Agreement**

In June 2020, *La Française de l'Energie* signed a three-year framework agreement with 2G for the supply of cogeneration units dedicated to the production of green electricity from abandoned mine methane in France and Belgium. This partnership with 2G, one of the European leaders in the manufacture of decentralised energy-production systems, allows *La Française de l'Energie* to benefit from highly competitive commercial conditions with a fixed price guaranteed for the term of the contract, and major logistical advantages such as the free storage of engines for several months and the allocation of dedicated manufacturing lines for large orders.

Covering the Group's entire scope of activity (supply of engines, cogeneration kits and soundproof containers), this agreement also secures the supply of cogeneration units for the deployment of new sites, of which an additional 37.5 MW are to be deployed in the Hauts-de-France and Wallonia by the end of 2022.

##### **(iii) Solar-thermal– Creation of Cellcius SAS**

*La Française de l'Energie* is strengthening its position in renewable energy with the launch in Creutzwald of the largest solar-thermal power plant in France, injecting the produced heat in an urban network.

This solar-thermal park, which relies on highly developed technology in the Nordic countries, will supply in short circuits residential neighbourhoods, industries, SMEs/PMIs, and many public infrastructures, and thus contribute to a sixfold increase in the rate of green energy in the grid. This first solar-thermal power plant will be operational and operated by the Group as of 4Q20. It will produce 2,610 MWh annually, equivalent to the heat requirements of 190 households, and will cover most of the needs of the Creutzwald heat system during the summer.

A new entity has been created to implement this project, Cellcius SAS, part of the Group's consolidation perimeter as of 30 June 2020. The company was founded on 13 November 2019 with an initial capital of €1K and investments of €594K recorded at the end of June 2020. *La Française de l'Energie*, which initially held 100% of the capital of Cellcius SAS, has sold 49% of it to ENES, the municipal electricity authority of Creutzwald, which maintains and operates the heating network to which the solar-thermal power plant is connected. This 49% sale was recorded as of 05 February 2020 for the book value of each share, *i.e.* a price of €490.

Following the "Grand Solar-Thermal Fields" tender launched by ADEME, *La Française de l'Energie* was selected through its Cellcius subsidiary to benefit from a subsidy package equal to €1.36M out of a total investment of €2.4M. This grant was notified by ADEME on 29 November 2019; €261K had been received by the Group as of the closing date of its annual consolidated Financial Statements.

#### **(iv) Creation of Gazonor Béthune SAS**

Gazonor Béthune SAS, 100% owned by LFDE International SA and part of the Group's consolidation perimeter, was incorporated on 26 June 2020 with an initial capital of €10K and investments of €1,137K recorded at the end of June 2020, in order to develop a new production site of the Group dedicated to the provision of gas, green electricity and heat to the inhabitants of the city of Béthune and the surrounding municipalities that could be connected to the urban heating network.

In 2017, the municipality of Béthune chose the solution proposed by Dalkia and built around *La Française de l'Energie's* supply of clean energy as part of the public-service delegation (term of 22 years) of its heating network serving the equivalent of 6,500 homes. This innovative and eco-responsible solution responds to the desire of the municipality of Béthune to reduce its energy bill and strengthen the greening of its energy mix.

Thus, Gazonor Béthune will start, in January 2021, the delivery of mine gas captured at its Divion site, as well as heat from its 2 cogenerations (2.7 MW), which will be installed at the new Béthune site by the end of 2020 and which will benefit from fixed gas and heat prices until 2039, and the feed-in tariff set by Obligation d'Achat in a similar manner to the 6 cogenerations currently operated by Gazonor in the Hauts-de-France.

#### **(v) New improvement to the ESG rating**

Gaïa Rating is the reference rating agency for French mid-sized listed companies. The rating of stocks considers over 150 extra-financial criteria that encompass the environment, social and governance.

In March 2020, *La Française de l’Energie* achieved an overall score of 58/100, compared to an average of 37 for companies with less than €150M in turnover, and ranked N° 1 among companies of this size operating in the energy sector.

For the third year in a row, the Company recorded an improvement in its Gaïa rating. This 9-point increase compared to the score awarded in 2019 (49/100) confirms the fulfilment of *La Française de l’Energie*’s commitments on subjects such as the safety of its teams and operations, corruption, environmental, economic and social impact on the territories and stakeholders involved in its projects or the fight against climate change.

## **FINANCING**

### **(vi) Bpifrance Financement and Triodos Bank loans**

A loan was taken out by Gazonor from Bpifrance Financement on 22 October 2019 for a nominal amount of €1,340K, to refinance the costs incurred for the acquisition of the three Siemens electric motors installed at the Avion site. This loan has a maturity of 6 years with a monthly linear repayment, and a fixed interest rate of 1.5% per year.

This loan includes, notable, the non-dispossession pledge of tangible property to Bpifrance Financement of the three electric motors concerned, a guarantee of *La Française de l’Energie* for €1,340K during the life of the facility, as well as the risk participation of the Bpifrance Financement guarantee for 40% under the “Développement Cas/Cas 2019 ” national guarantee fund.

A second loan was taken out in this fiscal year, signed on 11 December 2019 between Gazonor Benelux and Triodos Bank NV, domiciled in Belgium. This loan amounts to €4,240K and was related to the refinancing of the construction of the Anderlues site’s two cogenerations, including a series of intangible costs incurred (subsoil modelling, reservoir studies). The maturity of this loan is 6 years from 15 December 2019, with semi-annual repayments and a fixed interest rate of 1.65% per year.

Among the security granted as part of this loan are the share pledge over 100% of the shares of Gazonor Benelux, the non-dispossession pledge of all the equipment financed and the security over the credit balance of all bank accounts of the Anderlues project, excluding the distribution account. Finally, a reserve account was set up for €340K, presented in non-current financial assets in the consolidated Financial Statements, until the full repayment of the loan.

### **(i) Loan Guaranteed by the State**

Following the COVID-19 health crisis and the fall in gas and electricity prices in Belgium, Gazonor obtained in June 2020 a loan guaranteed by the State, amounting to €1.6M, in order to strengthen its cash position, especially to support its future developments. This loan from LCL and Société Générale carries an interest rate of 0.25% and has a maturity of 12 months with an extension option for up to 5 years.

### **(ii) ERDF-ESF Grant**

As of 24 October 2019, European aid from the ERDF-ESF (European Regional Development Fund – European Social Fund) programme has been awarded to Gazonor for a total amount of €2.8M under the operation entitled “Zero Emission Gazonor 2022”. This operation, consisting of the installation of 20 new cogeneration units on the concessions currently held by the Group in the Hauts-de-France,

seeks to enhance the mine gas recovered in short circuits and thus eliminate all firedamp emissions in this area's former mining basin.

In addition to confirming *La Française de l'Energie's* strong commitment to this territory, its ecological and economic contribution to the region's activity, this grant will accompany the Group's development plan and its goal of installing over 30 MW by the end of 2022.

This grant is not included in the consolidated Financial Statements as of 30 June 2020.

### **(iii) Real-estate leasing**

In the first half of the 2019/2020 fiscal year, in order to anchor its footprint in particular in one of the territories on which *La Française de l'Energie* continues its projects to produce coal gas in short circuits, the Company began construction of its new premises, including an office and warehouse complex for a total area of 837 m<sup>2</sup> within the perimeter of the Pontpierre/Faulquemont ZAC (Moselle, Grand-Est).

In order to finance this investment, with an estimated budget of €940K, a real-estate lease was signed in October 2019 between *La Française de l'Energie* and Finamur (LCL) for a term of 12 years from the building's inception date, estimated for October 2020.

With construction underway, the investment presented in the annual consolidated Financial Statements at 30 June 2020 reached €589K, for a non-current financial debt of the same amount

## **TAXATION**

### **(iv) Conclusion of the tax audit of *La Française de l'Energie***

A tax audit of *La Française de l'Energie* was under way at the beginning of the first half of the 2019/2020 fiscal year. The tax authorities, in a letter dated 11 December 2019, had accepted *La Française de l'Energie's* requests, *i.e.* an adjustment covering €741K in deferred deficits. For the Group, the cash impacts including penalties are limited to €71K, which was recovered on 15 January 2020.

### **3.1.4 Significant events since the end of the fiscal year**

A maintenance contract was signed in July 2020 between V.M.I. Engineering and Contracting and Gazonor Benelux, covering the maintenance of Anderlues' cogeneration facilities for up to 59,999 hours of operation and including a 95% availability guarantee with a bonus/malus clause on the basis of a time-variation account.

An amendment to the Shareholder loan that was to expire on 31 December 2020 was signed on 30 September 2020. The amendment allows the full repayment of this loan to be extended to 31 December 2021 by payment in several maturities of the loan for a total of €4.63M.

## **3.2 PRESENTATION OF THE COMPANY'S CORPORATE FINANCIAL STATEMENTS**

The annual Financial Statements of *La Française de l'Energie* for the year ended 30 June 2020, which we submit for your approval, were prepared in accordance with the rules of presentation and evaluation methods, in accordance with regulations of the Accounting Standards Authority No. 2014-03, dated 05 June 2014 relating to the General Chart of Accounts as well as by subsequent regulations amending certain articles. These rules and methods are identical to those of the previous fiscal year, ended 30 June 2019.

The Company's annual Financial Statements for the year ended 30 June 2020, including the balance sheet, income statement and ancillary notes, appear in Section 8.1 of this report.

### 3.2.1 Income Statement

| Fiscal year ended 30 June 2020                                  | 30 June 2020       | 30 June 2019       |
|---|--------------------|--------------------|
|   | €                  | €                  |
| <b>Revenues</b>   |                    |                    |
| Inventoried products/Capitalised production                     | -                  | -                  |
| Operating subsidies   | 3,675              | -                  |
| Reversals of provisions and depreciation, transfers of expenses | 5,812              | 10,193             |
| Other revenues  | 907,558            | 685,700            |
| <b>Total operating revenues</b>                                 | <b>917,045</b>     | <b>695,893</b>     |
| <br>  |                    |                    |
| Purchases of goods and raw materials                            | -                  | -                  |
| Inventory changes   | -                  | -                  |
| Other purchases and external expenses                           | (1,237,333)        | (1,260,608)        |
| Taxes and similar levies  | (13,724)           | (22,436)           |
| Wages and salaries  | (696,503)          | (768,197)          |
| Social contributions  | (292,283)          | (269,870)          |
| Depreciation and amortisation                                   | (6,051)            | (7,762)            |
| Appropriations to provisions                                    | 0                  | 0                  |
| Other expenses  | (49,400)           | (316,250)          |
| <b>Total operating expenses</b>                                 | <b>(2,295,294)</b> | <b>(2,645,123)</b> |
| <b>Operating result</b>   | <b>(1,378,249)</b> | <b>(1,949,230)</b> |
| <br>  |                    |                    |
| Provision write-backs and transfers of expenditures             |                    | 6,092              |
| Other financial revenues  | 3,303              | 2,557              |
| Financial allocations for depreciation and amortisation         | 0                  | 0                  |
| Other financial expenses  | (207,581)          | (183,456)          |
| <b>Financial result</b>   | <b>(204,277)</b>   | <b>(174,807)</b>   |
| <br>  |                    |                    |
| Exceptional revenues  | 284,461            | 51,277             |
| Exceptional expenses  | (199,174)          | (301,913)          |
| <b>Exceptional result</b>                                       | <b>85,287</b>      | <b>(250,637)</b>   |
| <br>  |                    |                    |
| Employee profit-sharing   | 0                  | 0                  |
| Income taxes  | 593,057            | 1,898,243          |
| <b>Net result</b>   | <b>(904,183)</b>   | <b>(476,430)</b>   |

#### (i) Operating revenues

As of 30 June 2020, the Company had not yet generated sales pending the start of production of its projects in the Lorraine region.

Other operating revenues were up 32% from last year and corresponded mainly, as with last year, to rebilling services to the Group's operational entities, namely Gazonor (€495K), Gazonor Benelux (€69K), Cellcius (€163K), and Gazonor Béthune (€171K).

#### (ii) Operating expenses

Other purchases and external expenses decreased slightly by 2% in FY20, with a total of €1,237K compared to €1,261K the previous year. This trend is linked in particular to the decrease in study and exploration costs (on new projects in progress and coal gas in Lorraine) and consulting fees, offset by an increase in banking services.

Staff costs decreased by 1%, with the average workforce decreasing from 9.8 to 6.6 between 2019 and 2020. As of 30 June 2020, the Company's workforce has reached 8 people.

Other charges are also down, particularly as a result of board members remuneration (-€125K in adjustments to fees paid the previous year).

### **(iii) Financial result**

As of 30 June 2020, the financial result is largely comprised of interest charges (mainly on Shareholder loans and advances from the Gazonor entity), rising from €157K to €182K due to an increase in said advances.

### **(iv) Exceptional result**

The exceptional result comes mainly from a reversal of provisions of €162K for the risk assessment of the tax audit that was under way last year and the penalties of €71K related to this tax audit.

### **(v) Income tax**

Two elements constitute the Company's income tax at 30 June 2020 and have an impact on the Company's net income:

- The 2020 Research Tax Credit ("*Crédit Impôt Recherche*", or CIR) for €249K, whereas in 2019 declaration for calendar years 2015 to 2018 for total amounts of €1,133K (the first three years having benefited from the possibility of an off-time deposit) were recorded;
- On 01 July 2018, a tax integration was introduced with *La Française de l'Energie* as the leading tax-integration company, and Gazonor Holding, Gazonor, EG Lorraine and EG NPC in the integration scope. For FY20, the tax result of the integration group is negative (€951K), *La Française de l'Energie* only recording tax due for the entity Gazonor for an amount of €344K (tax losses for the other members of the integration group).

As of 30 June 2020, the deferred deficits before the tax integration of *La Française de l'Energie* amount to €3,767K, and the deferred deficits of the Group's integration amount to €2,937K.



### 3.2.2 Balance sheet

| As of 30 June 2020                      | Gross<br>30 June 2020 | Depreciation,<br>provisions | Net<br>30 June 2020 | Net<br>30 June 2019 |
|---|-----------------------|-----------------------------|---------------------|---------------------|
|   | €                     | €                           | €                   | €                   |
| Concessions, patents and similar rights | 30,036                | 23,887                      | 6,149               | 9,613               |
| Other intangible assets                 | 43,259,552            | 316,040                     | 42,943,512          | 42,607,717          |
| Plant and equipment                     | 22,117                | 18,156                      | 3,961               | 730                 |
| Other tangible assets                   | 25,798                | 25,798                      | 0                   | 262                 |
| Current capital assets                  | 16,722                |                             | 16,722              | 236,862             |
| Other investments                       | 1,019,056             | 868,544                     | 150,512             | 150,002             |
| Receivables from equity interests       | 17,951,038            |                             | 17,951,038          | 17,951,038          |
| Other long-term investments             | 144,747               | 14,577                      | 130,170             | 86,766              |
| Other financial assets                  | <u>12,052</u>         |                             | <u>12,052</u>       | <u>10,558</u>       |
| <b>Fixed assets</b>                     | <b>62,481,119</b>     | <b>1,267,002</b>            | <b>61,214,117</b>   | <b>61,053,549</b>   |
| Inventories                             |                       |                             |                     |                     |
| Advances and prepayments on orders      | 6,288                 |                             | 6,288               | 550                 |
| Trade and related receivables           | 1,648,394             |                             | 1,648,394           | 3,070,009           |
| Other receivables                       | 2,047,324             |                             | 2,047,324           | 2,547,821           |
| Liquid assets                           | <u>527,405</u>        |                             | <u>527,405</u>      | <u>369,150</u>      |
| <b>Circulating assets</b>               | <b>4,229,411</b>      |                             | <b>4,229,411</b>    | <b>5,987,531</b>    |
| Prepaid expenses                        | 75,292                |                             | 75,292              | 107,810             |
| Amortisation of issue costs             | 45,875                |                             | 45,875              | 220,321             |
| <b>Total Assets</b>                     | <b>66,831,697</b>     | <b>1,267,002</b>            | <b>65,564,695</b>   | <b>67,369,211</b>   |

#### (i) Fixed Assets

Other intangible assets, consisting of all costs incurred under the exploration and drilling phases, rose by €358K over 2020, as a result of work carried out on the sites of the Lorraine Basin.

Excluding restoration costs, the costs associated with the Bleue Lorraine permit reach €41,276K at 30 June 2020 compared to €40,918K a year earlier.

Fixed assets under construction are reduced to €17K and are related to the construction of a building in the commune of Faulquemont (57) which will house Company offices and warehouses from the end of 2020, and for which the lease agreement was signed last year.

#### (ii) Circulating assets

Trade receivables consist entirely of receivables from subsidiaries, including charges for 2020 services rendered and other rebillings over previous years, and have decreased compared to last year, as services have been billed and paid for.

Other receivables are mainly affected by the deductible VAT items, €842K in Research Tax Credit receivables, as well as €684K in current accounts with the subsidiaries.

#### (iii) Cash

Cash on hand reached €527K at 30 June 2020, as the negative operating cash flow was offset mainly by advances by the Gazonor entity, and to a lesser extent by the prefinancing of the 2015 and 2016 CIR – *Research Tax Credit* (for a total of €531K).

| As of 30 June 2020                           | 30 June 2020      | 30 June 2019      |
|--|-------------------|-------------------|
|  | €                 | €                 |
| Social capital                               | 5,155,890         | 5,150,659         |
| Issue premiums                               | 44,078,955        | 44,084,186        |
| Legal reserve                                | 105,762           | 105,762           |
| Other reservations                           | 72,142            | 72,142            |
| Postpone again                               | (613,675)         | (137,245)         |
| <b>Earnings for the year</b>                 | <b>(904,183)</b>  | <b>(476,430)</b>  |
| Investment grants                            | 250,000           | 250,000           |
| <b>Equity</b>                                | <b>48,144,891</b> | <b>49,049,074</b> |
| Risk provisions                              | 9,706             | 171,777           |
| Expense provisions                           | 1,393,337         | 1,404,245         |
| <b>Provisions for risks and expenses</b>     | <b>1,403,043</b>  | <b>1,576,022</b>  |
| Miscellaneous borrowings and financial debts | 11,795,106        | 11,815,303        |
| Supplier debts and related accounts          | 587,164           | 899,991           |
| Tax and social debts                         | 1,074,983         | 964,262           |
| Capital debt and related accounts            | 2,522,896         | 2,962,289         |
| Other debts                                  | 21,110            | 88,362            |
| <b>Debts</b>                                 | <b>16,001,260</b> | <b>16,730,207</b> |
| Passive conversion gap                       | 15,501            | 13,907            |
| <b>Total Liabilities</b>                     | <b>65,564,695</b> | <b>67,369,211</b> |

#### (iv) Equity

The €5K capital increase is due to the final allocation of the shares granted to the beneficiaries of the second plan initiated on 30 June 2017, following the Board of Directors decision of 21 October 2019 regarding the fulfilment of the conditions, and was done through share premiums.

Apart from the allocation to carry-forward 2019 loss and the recognition of the loss of the period, no other changes impacted equity for the year ended 30 June 2020.

#### (v) Provisions

The provisions consist, on the one hand, of €1,393K in provisions for restoration, an increase of €11K, offset by €22K in changes of discount assumptions for 2020. The sites concerned are still Folschviller, Tritteling, Lachambre and Pontpierre.

On the other hand, a provision for litigation consists of €10K, down from 2019 when the amount of €172K was related to the risk assessment of the resolution of the tax audit on the Company, now concluded.

#### **(vi) Debts**

Borrowings and various financial debts decreased from €11,815K to €11,795K, and as of 30 June 2020, consist of the following:

- €3,892K Shareholder loan at year-end, taking into account the impact of the amendment concluded during the year.
- Gazonor current account, with a credit balance of €6,744K as of 30 June 2020, against a credit balance of €7,248K a year ago.
- Gazonor Benelux current account, with a credit balance of €1,159K as of 30 June 2020.

Finally, trade payables, including fixed assets suppliers, continued to be reduced, amounting to €3.1M at 30 June 2020 compared to €3.9M at the end of 2019. This balance at closing takes into account an amount of €2.5M to the company Entrepouse Drilling with which the Company is currently in dispute.

### **3.3 PRESENTATION OF THE GROUP'S CONSOLIDATED FINAL STATEMENTS**

The Group's consolidated Financial Statements for the year ended 30 June 2020 were established in accordance with the International Financial Reporting Standards (IFRS), as published by the IASB and adopted by the European Union, and applicable to the closing date of 30 June 2020. The only change from the previous year is the first application of IFRS 16, Leases on 01 July 2019.

The Group's consolidated Financial Statements for the year ended 30 June 2020 appear in Section 9.1 of this report.

### 3.3.1 Consolidated Income Statement

| Fiscal year ended 30 June 2020                | 30 June 2020     | 30 June 2019     |
|---|------------------|------------------|
|   | €                | €                |
| Turnover                                      | 7,855,374        | 7,913,715        |
| Other operating revenues                      | 282,451          | 1,233,546        |
| Cost of goods and services sold               | (3,934,285)      | (3,512,893)      |
| Other administrative and operational expenses | (3,205,103)      | (3,534,694)      |
| Other revenues/(expenses)                     | (76,935)         | 303,531          |
| Net allocations on provisions                 | 135,131          | (127,766)        |
| <b>EBITDA</b>                                 | <b>1,056,632</b> | <b>2,275,439</b> |
| Depreciation and amortisation                 | (1,199,886)      | (878,735)        |
| <b>Operating income</b>                       | <b>(143,255)</b> | <b>1,396,705</b> |
| Financial products                            | 1,112            | 0                |
| Cost of gross financial indebtedness          | (529,479)        | (496,805)        |
| Other financial expenses                      | (33,070)         | (21,443)         |
| <b>Earnings before taxes</b>                  | <b>(704,691)</b> | <b>878,456</b>   |
| Current and deferred taxes                    | 752,640          | (37,152)         |
| <b>Net income</b>                             | <b>47,949</b>    | <b>841,304</b>   |
| Net income, Group share                       | 108,542          | 841,304          |
| Net income, interest share not giving control | (60,594)         | 0                |
| <i>Earnings per share</i>                     |                  |                  |
| - Basic earnings per share                    | 0.02             | 0.16             |
| - Diluted earnings per share                  | 0.02             | 0.16             |

#### (i) Turnover/Other operating products

Stable compared to the year ended 30 June 2019, the turnover consists of €1.949K of gas sales and €5.906K in electricity sales, of which €717K in Belgium.

As mentioned in part 3.1 of this report, the good operational performance, particularly related to the reliability of the historic site of Avion and the 2 new cogenerations in production in Belgium, has significantly increased the quantities of gas and green electricity delivered during the year. In the context of a health and economic crisis, the negative effect on gas prices and, to a lesser extent, on electricity prices in Belgium, sold at spot prices, weighted for almost €1.7M on the group's annual revenues.

The other operational products consist mainly of Research Tax Credits, as mentioned in the analysis of the Financial Statements of *La Française de l'Énergie* above.

## **(ii) Operating expenses**

The bulk of the Group's operating expenses comes from energy, electricity and natural-gas expenditures, for a total of €1,698K as of 30 June 2020 against €1,419K over the previous year. Electricity costs rose sharply, from €461K to €1,640K, as a result of the commissioning of the new Siemens engines at the Avion site, while purchases of natural gas have fallen by €182K (impact of the old gas engines changed last year).

Operating expenses also include personnel expenses, accounting for €1,764K in 2020 compared to €1,811K in the previous year. This decrease is due to the accounting of shares granted to employees according to IFRS 2, amounting to €112K this year (€133K in 2019), due to the final allocation of the second plan, and by the decrease in the average workforce between 2019 and 2020.

The net allowances on provisions mainly relate to reversals of provisions for litigation, due to the end of the tax audit at *La Française de l'Energie* for €162K.

Finally, amortisations for this year ended 30 June 2020 rose, reflecting the investment expenses made by Gazonor at its Avion site, the production of Gazonor Benelux and the application of IFRS 16 for the year.

## **(iii) Financial result**

As for the previous year, the Group's debt cost, amounting to €529K due to the various loans put in place and the convertible CAP 3RI bonds, accounts for the largest part of the financial result, up year in year following the conclusion of new bank loans during this fiscal year.

## **(iv) Current and deferred taxes**

The current tax expense is almost nil at 30 June 2020 at €5K, and at the same level as last year (contribution to Luxembourg).

The deferred tax expense reached €753K, the positive change being linked to the increase in deferred tax assets (including +€130K on deficits of Gazonor Benelux, +€615K on *La Française de l'Energie* deficits incorporated in the tax integration, and the contribution of Cellcius and Gazonor Béthune).

### 3.3.2 Consolidated Balance Sheet

| As of 30 June 2020                                    | 30 June 2020      | 30 June 2019      |
|---|-------------------|-------------------|
|   | €                 | €                 |
| <b>ASSETS</b>   |                   |                   |
| Exploration assets                                    | 45,059,192        | 44,699,487        |
| Other intangible assets                               | 6,149             | 9,613             |
| Proven mining rights                                  | 24,744,251        | 24,972,299        |
| Other tangible assets                                 | 10,756,750        | 9,165,724         |
| Non-current financial assets                          | 1,253,562         | 912,069           |
| Deferred tax assets                                   | 2,101,286         | 1,295,155         |
| <b>Non-current assets</b>                             | <b>83,921,190</b> | <b>81,054,347</b> |
| Inventories   | 375,252           | 321,145           |
| Trade and related receivables                         | 948,367           | 1,134,882         |
| Other current assets                                  | 3,260,671         | 2,526,357         |
| Prepaid and deferred expenses                         | 115,581           | 191,114           |
| Cash and cash equivalents                             | 3,768,677         | 1,165,151         |
| <b>Current assets</b>                                 | <b>8,468,548</b>  | <b>5,338,651</b>  |
| <b>Total Assets</b>                                   | <b>92,389,737</b> | <b>86,392,998</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>           |                   |                   |
| Share capital   | 5,155,890         | 5,150,659         |
| Share premium reserve                                 | 44,078,955        | 44,084,186        |
| Other reserves  | 5,012,023         | 4,122,318         |
| Net income, Group's share                             | 108,542           | 841,304           |
| Other equity items                                    | 3,854             | 4,011             |
| <b>Shareholders' Equity – Group's Share</b>           | <b>54,359,264</b> | <b>54,202,479</b> |
| Minority interests not giving control                 | (60,594)          | 0                 |
| <b>Shareholders' Equity of the Consolidated Group</b> | <b>54,298,670</b> | <b>54,202,479</b> |
| Non-current financial debt                            | 12,559,901        | 11,015,558        |
| Non-current provisions                                | 4,210,597         | 4,251,116         |
| Deferred tax liabilities                              | 6,388,855         | 6,340,264         |
| Other non-current liabilities                         | 986,692           | 284,125           |
| <b>Non-current liabilities</b>                        | <b>24,146,045</b> | <b>21,891,064</b> |
| Current financial debt                                | 6,836,549         | 2,479,505         |
| Current provisions                                    | 106,249           | 243,548           |
| Trade and related payables                            | 1,299,163         | 2,432,030         |
| Fixed-asset suppliers                                 | 3,893,229         | 3,778,281         |
| Other current liabilities                             | 1,809,832         | 1,366,091         |
| <b>Current liabilities</b>                            | <b>13,945,022</b> | <b>10,299,456</b> |
| <b>Total Shareholders' Equity and Liabilities</b>     | <b>92,389,737</b> | <b>86,392,998</b> |

### **(i) Non-current assets**

Excluding the variation in exploration assets, already commented upon at the level of the Financial Statements of *La Française de l’Energie*, other tangible assets remained stable, following the investments made in Avion and Belgium over the previous year, and the recent launches of the Creutzwald and Béthune projects, which had a marginal contribution on this year.

€24,552K in mining rights correspond to the net value of reserves at the Hauts-de-France sites (value linked to the allocation of the acquisition price of Gazonor by *La Française de l’Energie*) and €192K to the matching assets for restoration provisions at the Anderlues site.

### **(ii) Current assets**

Trade receivables consist almost entirely of the June 2020 invoices issued to Total Gas & Power, EDF Obligations d’Achats, and EDF Luminus customers as of 30 June 2020.

Other receivables mainly involve deductible VAT receivables, as well as social and tax receivables, including a claim for €1,400K in Research Tax Credits (CIR).

Explanations in relation to the changes in the net cash position are given in part 3.3.3 of this report.

### **(iii) Equity**

Excluding net income for the year, the change in consolidated equity was due in particular to the accounting of the charge related to the two outstanding free-share employees plans, namely the plans initiated on 09 July 2018 and 12 December 2019, for a total of €112K recognized for the year ended 30 June 2020, compared to a total of €133K in the previous year.

### **(iv) Non-current liabilities**

More than half of non-current liabilities at over one year, *i.e.* €3,281K, are financial debts related to the convertible bond issued in 2018 by Gazonor Holding to Cap 3Ri, €5,512K in Gazonor debts (BPI/SaarLB loan subscribed in May 2018, BPI loan underwritten in October 2019, and PGE subscribed in June 2019) and €3,230K in Gazonor Benelux debts (Triodos loan signed in December 2019).

Non-current provisions are provisions for restoration in Lorraine (€1,393K), in the Hauts-de-France (€2,588K), and in Belgium (€198K).

### **(v) Current liabilities**

The current financial debt is largely for the “under-one-year” portion of the loans of Gazonor and Gazonor Benelux for €2,005K and an amount of €3,892K, to be repaid in December 2020 under the Shareholder loan.

Trades payable fell sharply at the Group level, by almost €1.1M, due to more limited investments during the year and management of payment terms that evolved during the year to adapt to the financial situation of each of our suppliers.

### 3.3.3 Consolidated Cash Flows

| Fiscal year ended 30 June 2020  | 30 June 2020       | 30 June 2019       |
|---|--------------------|--------------------|
|   | €                  | €                  |
| <b>Operating activities</b>   |                    |                    |
| Consolidated net income   | 47,949             | 841,304            |
| Tax expense and deferred-tax changes                                    | (752,640)          | 37,152             |
| Net depreciation and impairment of intangible and tangible fixed assets | 1,199,886          | 878,735            |
| Net allocations on provisions   | (135,131)          | 178,203            |
| Capital gains/losses on asset disposals                                 |                    | -                  |
| Change in operating working capital requirement                         | (922,756)          | (170,479)          |
| Change in WCR – Other assets and liabilities                            | 411,995            | (310,131)          |
| Expense related to free stock award plan                                | 112,386            | 133,367            |
| Cost of gross long-term debt  | 529,479            | 496,805            |
| Taxes paid  | (4,815)            | (4,815)            |
| Other non-monetary items  | 310,769            | 133,277            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             | <b>797,122</b>     | <b>2,213,418</b>   |
| <b>Investment activities</b>  |                    |                    |
| Capitalised exploration costs   | (381,425)          | (813,617)          |
| Tangible and intangible investments                                     | (2,568,932)        | (3,598,270)        |
| Proceeds from disposal of tangible and intangible assets                | 100,054            | 9,000              |
| Change in fixed-asset supplier debts                                    | 114,948            | 193,583            |
| Subsidies received from investments activities                          | 428,831            | 250,000            |
| Acquisition of financial assets   | (65,666)           | (175,000)          |
| Disposal of financial assets  |                    | 16,273             |
| <b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>                            | <b>(2,372,190)</b> | <b>(4,118,031)</b> |
| <b>Financing activities</b>   |                    |                    |
| Bond subscription   |                    | -                  |
| Borrowings and financial debts (excluding fees)                         | 6,840,000          | 14,625             |
| Repayment of loans and financial debts                                  | (2,528,050)        | (1,066,668)        |
| Other current financial debts   | 270,876            | 656,024            |
| Cost of net debt: interests paid  | (352,463)          | (310,915)          |
| Charges paid on loans   | (52,500)           | -                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             | <b>4,177,863</b>   | <b>(706,934)</b>   |
| <b>NET CHANGE IN CASH FLOWS</b>   | <b>2,602,795</b>   | <b>(2,611,547)</b> |
| Net cash and cash equivalents at beginning of the period                | 1,164,684          | 3,776,231          |
| <b>NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>               | <b>3,767,479</b>   | <b>1,164,684</b>   |

Operating cash flows, impacted by gas and electricity prices in Belgium, were not too affected by changes in the working capital requirements, and came largely from Gazonor, which generated 91% of the Group's turnover in 2020.

The Group's net cash position at 30 June 2020 was €3,768K, a very strong improvement of €2,603K compared to 30 June 2019. This positive development was due to a sharp increase in financing flows for €4,178K, as the Group signed three new loans while continuing its investments during the year.



### 3.4 FUTURE OUTLOOKS

The objectives and trends presented below are based on data, assumptions and estimates considered reasonable by the Company to date. These objectives, which are the result of the strategic orientations of *La Française de l'Energie*, do not constitute forecast data or the Group's profit estimates. The data and assumptions on which these objectives are based are likely to evolve or be modified in response to changes in the economic, financial, competitive, regulatory and tax environment, or of other factors the Company is not aware of to date. Furthermore, the materialization of certain risks described in Chapter 7 could have an impact on the Company's operations, financial position, results, or outlook, and thus call into question its ability to achieve the objectives outlined below.

The Group's medium-term ambitions are confirmed.

After several months of pandemic linked to COVID 19, the Group announced in July 2020 its ambition to reach €35M in annual sales by the end of 2022, an EBITDA margin of 45%, and 49.5 MW installed. 45% of the 49.5 MW target is already in production or will be operational by the end of FY21.

By remaining focused on its core business, the production and recovery of low-carbon energy in short circuits, *La Française de l'Energie* has the capacity to respond to the main problem of its generation, namely the production of decarbonized energy.

With its expertise and execution ability, the Group seeks to accelerate its growth and profitability by expanding its existing activities, but also by staking a position in new segments of the energy market.

#### 3.4.1 Abandoned Mine Methane: multiplying cogenerations and green power generation

The Group's main objective is to deploy additional cogeneration units on the same model as the 12 MW already on operation.

With the signing of a 3-year framework agreement with 2G for the supply of cogeneration units dedicated to the production of green electricity, *La Française de l'Energie* maintains its plan to deploy new green power-production sites in France and Belgium, with 7 new cogeneration units expected to be deployed over the next 12 months at the Béthune, Avion and Anderlues sites (6 MW in the Hauts-de-France and 4.5 MW in Wallonia).

Thus, as part of this plan, from 01 January 2021, the supply of gas, green electricity and heat to the commune of Béthune, through the heating network operated by Dalkia as part of a public service delegation, will bolster *La Française de l'Energie*'s positioning as a benchmark player in the ecological transition of the territories.

In Belgium, in order to continue the very good momentum started by the installation of the two cogenerations at the Anderlues site in 2019, the Group has also approved the extension of its site with the installation, starting in 1H21, of an additional 4.5 MW, and is working on obtaining new mine-gas concessions in Wallonia in a market still considered very promising for the Group.

The Group has also already approved the scope and number of additional sites it could exploit as part of the development of its certified reserves in the Hauts-de-France, at a meeting held with the authorities. At the same time, *La Française de l'Energie* is progressing with the various financing options to support this development at a reduced cost of capital while optimizing its capital structure. Thus, it will be possible to install the additional 18 cogenerations (27 MW) at the new sites in the Hauts-de-France as soon as the regulatory authorities' approvals are obtained.

Despite the resilience of the Group's business and model during the health crisis, the uncertainty that remains about the pace of the authorities' granting of approvals, the Group expects that the installation of an additional 37.5 MW will be effective by late 2022.

### **3.4.2 Coal gas: several development and marketing possibilities under study**

In Lorraine, the MHA certification of November 2018 recognises 2P reserves of 2,144 million m<sup>3</sup>, and a NPV10 of €161M for total reserves (1P, 2P, 3P reserves); however, this represents only 3.6% of all contingent resources at Bleue Lorraine and its adjacent areas. Following the independent expert review initiated at the end of 2019 and conducted by four international coal-gas experts, a development plan with the objective of initiating drilling and enhancing the extremely important potential was officially presented on 21 January 2020.

As a reminder, *La Française de l'Energie* filed a concession application in November 2018 with the department of the Ministry of Ecological and Solidarity Transition, for a period of validity to 01 January 2040. This application was deemed admissible and is currently being investigated by the relevant authorities until 29 November 2021.

Given the current context of low gas prices, *La Française de l'Energie* is exploring several avenues for the development and commercialization of resources, among them an injection of gas into the grid and/or power and heat production, or a valuation in the form of hydrogen, in order to maximize the project's profitability and its positive impact on the territory. The Group's objective is the short-circuit provision of energy that is ecologically and economically competitive for consumers in the territories relevant to its activity.

The Group continues to make progress on the regulatory, operational and financial aspects of its Lorraine project, the realization of which remains a priority.

### **3.4.3 Solar (photovoltaic and thermal) and other opportunities**

In a context marked by low gas prices, the Group uses its know-how in energy-production projects and its locations in the territory to position itself in other segments, such as solar thermal, photovoltaic or biogas, in order to optimize the use of its land assets, particularly in the Grand-Est, and does so in partnership with recognized players in these sectors. Notably, the Group has bid in a tender of the Energy Regulatory Commission for a 14 MW photovoltaic project and built the largest solar-thermal power plant in France with injection on an urban heating network.

International development opportunities, through external growth, continue to be closely watched, with Poland and Germany currently presenting the most interesting prospects.

In terms of financing, the new borrowings taken out at the end of 2019 demonstrate the Group's ability to attract sources of financing at ever more competitive rates. The focus is to accelerate this process in order to support all the projects described above and to maintain a low cost of capital while ensuring a generation of positive operational cash flows.

## 4. CORPORATE GOVERNMENT

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### *Preliminary notes*

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

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

### *Key Governance Developments During the Fiscal Year*

Nil.

#### **4.1 MiddleNext ENTREPRISE GOVERNMENT CODE**

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

#### **4.2 LACK OF CONTROL OVER THE COMPANY**

To the Company's knowledge, as of 30 June 2020, none of the Company's shareholders had direct or indirect control of the Company, whether jointly or not, as understood by Articles L. 233.3 and following of the Commerce Code.

#### **4.3 CUMULATIVE DUTIES CHAIRMAN AND CEO**

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

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

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

As governance is a key aspect of *La Française de l'Energie's* good management, the Board of Directors has identified two areas for improving governance. The first is the separation of the position of Chairman from that of CEO. The second is gender parity at the Board level. The goal is to implement these best practices by the end of the 2021 calendar year, in order to strengthen corporate governance.

#### **4.4 PREPARATION AND ORGANISATION OF BOARD OF DIRECTORS**

##### **4.4.1 Information and Board Meetings**

The Board of Directors met 4 times during the year, on the following dates: 21 October 2019, 12 December 2019, 20 March 2020 and 30 June 2020.

The average annual attendance rate for Directors at meetings held during the year is 83%.

For each Director, the attendance rate is shown in the following table:

| ADMINISTRATORS         | ATTENDANCE RATE |
|------------------------|-----------------|
| Mr Julien Moulin       | 100%            |
| Mr Antoine Forcinal    | 100%            |
| Mr Jean Fontourcy      | 75%             |
| Mr Christophe Charlier | 75%             |
| Mr Alain Liger         | 100%            |
| Ms Cécile Maisonneuve  | 50%             |

#### 4.4.2 Appointment and duration of Directors' terms

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

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

## 4.5 COMPOSITION OF THE BOARD OF DIRECTORS

As of 30 June 2020, the composition of the Board of Directors is as follows:

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

| Last and first names<br>(Date of birth, nationality)                                    | Appointment date and term of mandate  | Positions in the Group  | Other mandates and positions held outside the Group over the past five years                           |
|---|---|---|--|
|   |   | LFDE International SA;<br>- LFDE-I representative as Chairman of Gazonor Holding SAS;<br>- Chairman of Gazonor Béthune SAS.   | - Director of Toros Resources Limited (until 2016);  |
| <b>Mr Antoine Forcinal</b><br><i>(Born 10 March 1982, French and Canadian national)</i> | <u>Appointed:</u><br>23 March 2016<br><u>Term:</u><br>Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2023.<br><u>Appointment as Director, General Assembly, 22 December 2017</u> | - Associate CEO, Director of the Company;<br>- Managing Director of Gazonor SAS;<br>- Director of Gazonor Benelux;<br>- Managing Director of Gazonor Holding;<br>- Director of LFDE International;<br>- Managing director of Concorde Energie Paris EURL.<br>- Managing Director of Gazonor Béthune SAS<br>- Chairman of Cellcius SAS | - Deputy Managing Director of Foxtrot International (Republic of Côte d'Ivoire) (until 2015);          |
| <b>Mr Jean Fontourcy</b><br><i>(Born 21 November 1938, French national)</i>             | <u>Appointed:</u><br>23 March 2016<br><u>Term:</u><br>Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021.   | - Director of the Board of Directors and Chairman of the Compensation Committee   | - Chairman of the Board of Financière de Rosario SA;<br>- Member of the supervisory board of EPEE SAS; |

| Last and first names<br>(Date of birth, nationality)  | Appointment date and term of mandate  | Positions in the Group  | Other mandates and positions held outside the Group over the past five years   |
|---|---|---|--|
|   |   |   | - Member of the supervisory board of Naxicab SAS;  |
| <b>Independent administrators</b>   |   |   |  |
| <b>Mr Christophe Charlier</b><br>(Born 24 April 1972, French national)  | <u>Appointed:</u><br>23 March 2016<br><u>Term:</u><br>Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021. | - Director of the Board of Directors and Chairman of the Audit and Accounts Committee | - Chairman of Renaissance Capital<br>- Chairman of Pure Grass Films;<br>- Administrator of Barclays Center (until Sept. 2019);<br>- Director of the Brooklyn Nets (until April 2018);<br>- Chairman of LeCastle's Board of Directors (until 2015); |
| <b>Mr Alain Liger</b><br>(Born 12 February 1951, French national)   | <u>Appointed:</u><br>23 March 2016<br><u>Term:</u><br>Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021. | - Administrator   | - Director-General of Tungstène du Narbonnais SAS (since July 2018);<br>- Member of the General Council on the Economy, Ministry of Economy and Finance (2013-2016).   |
| <b>Ms Cécile Maisonneuve</b><br>(Born 23 July 1971, French national)  | <u>Appointed:</u><br>23 March 2016<br><u>Term:</u><br>Annual General Assembly ruling on the Financial Statements for the year ended 30 June 2021. | - Administrator   | - Member of the Board of Directors of the Le Corbusier Foundation;<br>- Chairman of La Fabrique de la Cité;<br>Member of the supervisory board of The European TK/Blue Agency ETKBA SAS.   |
| <i>* Mr Julien Moulin has also been Chairman of the Company since November 2013, in its corporate form of simplified share company.</i> |   |   |  |

## 4.6 DIVERSITY POLICY AND REPRESENTATION IN THE BOARD OF DIRECTORS

The law of 27 January 2011 provides for a balanced representation of women and men on the Board of Directors, principle confirmed by the Pacte law (*loi Pacte*) of 22 May 2019. Due to its recent listing, the Company was unable to meet this obligation in the year ended 30 June 2020.

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

## 4.7 DIRECTOR SELECTION CRITERIA

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

## 4.8 INDEPENDENCE OF DIRECTORS

### 4.8.1 *Directors' independence criteria*

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

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

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

### 4.8.2 *Assessing the independence of Directors*

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

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

## **4.9 MISSION OF THE BOARD OF DIRECTORS**

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

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

## **4.10 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS**

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

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

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

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

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

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



## 4.11 BOARD OF DIRECTORS' COMMITTEES

### 4.11.1 *The Accounts and Audit Committee*

#### (i) **The Committee's operations and membership**

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board to review the periodic and annual Financial Statements before they are submitted to the Board. The Committee met two times in FY20: on 21 October 2019 and 20 March 2020.

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

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

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

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

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

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

#### (ii) **Committee functions**

In particular, the Committee's mission is to discuss with the auditors the relevance and permanence of the accounting methods adopted for the establishment of consolidated or corporate Financial Statements, and to give an opinion on the draft corporate and consolidated, half-yearly and annual Financial Statements prepared by General Management before their presentation to the Board.

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

With the exception of those provided for by law or other regulatory text, the Committee gives its prior approval for the carrying out by auditors of work other than the certification of accounts, such as acquisition audits, and ensures that these missions do not interfere with their independence and in

particular that they do not fall within the scope of missions prohibited by the Commerce Code. The Committee is informed of the fees paid by the Company and its Group to the firm and the network of auditors and ensures that their amount or share in the turnover of the firm and the network and in relation to the fees collected for the auditing mission are not such as would impair the independence of the auditors.

### **(iii) Committee activities**

The main work done by the Accounts and Audit Committee in the fiscal year ended 30 June 2020 was:

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

#### **4.11.2 The Appointments and Compensation Committee**

### **(i) The Committee's operations and membership**

The Appointments and Compensation Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board. It held one meeting in FY20, on 11 May 2020.

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

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

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

| NAME                  | ATTENDANCE RATE |
|-----------------------|-----------------|
| Mr Jean Fontourcy     | 100%            |
| Mr Alain Liger        | 100%            |
| Ms Cécile Maisonneuve | 0%              |

### **(ii) Committee functions**

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

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

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

### (iii) Committee activities

The main work done by the Appointments and Compensation Committee in the fiscal year ended 30 June 2020 was:

- the hiring of the new Chief Financial Officer;
- management compensation and changes in governance.

#### 4.12 ATTENDANCE FEES PAID TO BOARD OF DIRECTORS MEMBERS

In accordance with legal provisions, information is provided on the total amount of compensation paid to members of the Company's corporate bodies in the year ended 30 June 2020 (See annexes to the consolidated Financial Statements for further information).

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

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

The tables below show the distribution of attendance fees paid and due to non-executive Corporate Agents for the years ended 30 June 2020 and 30 June 2019.

| YEAR ENDED   |                     | 30 June 2020 |              | 30 June 2019 |              |
|--|---------------------|--------------|--------------|--------------|--------------|
| Non-executive corporate agents                     |                     | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| <b>Christophe Charlier</b><br><i>Administrator</i> | Attendance fees     | €25,000      | -            | €30,000      | -            |
|  | Other compensations |              |              |              |              |
| <b>Jean Fontourcy</b><br><i>Administrator</i>      | Attendance fees     | €30,000      | -            | €40,000      |              |
|  | Other compensations |              |              |              |              |
| <b>Alain Liger</b><br><i>Administrator</i>         | Attendance fees     | €25,000      | -            | €25,000      |              |
|  | Other compensations |              |              |              |              |
| <b>Cécile Maisonneuve</b><br><i>Administrator</i>  | Attendance fees     | €15,000      | -            | €15,000      | -            |
|  | Other compensations |              |              |              |              |

#### 4.13 INFORMATION CONCERNING THE COMPENSATION OF CORPORATE OFFICERS

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

It is specified that the payment of annual variable compensation items and long-term variable compensation items for executive Corporate Agents (Chairman and Managing Director) for FY20 is conditional on their approval by the General Assembly which will rule on the accounts for the year ended 30 June 2020.

##### 4.13.1 General Compensation Principles

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

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

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

##### 4.13.2 Information about compensation due or allocated to Corporate Agents

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

This table presents a summary of the compensation elements of corporate officers for the years ended 30 June 2019 and 30 June 2020.

| YEAR ENDED   | 30 June 2020 | 30 June 2019 |
|--|--------------|--------------|
| <b>Mr Julien Moulin, as Chairman and CEO of the Company</b>            |              |              |
| Compensation due for the year*   | €215,812     | €245,812     |
| Valuation of multi-year variable compensations awarded during the year | -            | -            |
| Valuation of stock options granted during the year                     | -            | -            |
| Valuation of shares granted free of charge during the year***          | -            | -            |
| <b>Mr Antoine Forcinal, as Managing Director of the Company</b>        |              |              |
| Compensation due for the year**  | €247,750     | €262,750     |
| Valuation of multi-year variable compensations awarded during the year | -            | -            |

|   |                 |                 |
|---|-----------------|-----------------|
| Valuation of stock options granted during the year            | -               | -               |
| Valuation of shares granted free of charge during the year*** | €32,076         | €40,706         |
| <b>TOTAL</b>  | <b>€495,638</b> | <b>€549,268</b> |

\* Of these sums, €90,000 as of 30 June 2020 and €120,000 as of 30 June 2019 are owed under the service contracts described in paragraph 4.13.5 of this report.

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

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

The corporate officers received a total gross remuneration (in salaries, bonuses and free shares awarded) of €495,638 during the year ended 30 June 2020, compared to €549,268 in the year ended 30 June 2019.

The following table shows the total gross compensation paid or due to executives for the years ended 30 June 2020 and 30 June 2019, including fixed and variable compensation paid or due by the Company for these years, in-kind benefits, and attendance fees.

| YEAR ENDED  | 30 June 2020 |                 | 30 June 2019    |                 |
|---|--------------|-----------------|-----------------|-----------------|
|   | Amounts owed | Amounts paid    | Amounts owed    | Amounts paid    |
| <b>Mr Julien Moulin, as Chairman and CEO of the Company</b>     |              |                 |                 |                 |
| Fixed pay   | -            | €210,000        | €120,000        | €120,000        |
| Variable pay  | -            | -               | -               | -               |
| Attendance fees   | -            | -               | -               | -               |
| Benefits in kind  | -            | €5,812          | -               | €5,812          |
| <b>Mr Antoine Forcinal, as Managing Director of the Company</b> |              |                 |                 |                 |
| Fixed pay   | -            | €247,750        | -               | €247,750        |
| Variable pay  | -            | -               | €15,000         | -               |
| Attendance fees   | -            | -               | -               | -               |
| <b>TOTAL</b>  |              | <b>€463,562</b> | <b>€135,000</b> | <b>€373,562</b> |

The ratios between the level of compensation of each executive and:

- the average full-time earnings of the Company's employees other than those of the Company's officers is 3.41 × for the Chairman and CEO of the Company and 3.92 × for the Managing Director of the Company,
- the median remuneration on a full-time equivalent basis of the Company's employees other than Company officers is 4.76 × for the Chairman and CEO of the Company and 5.47 × for the Managing Director of the Company.

The annual change over the past five years in the Company's performance, executive compensation, and average compensation of Company employees other than the executives, is as follows:

| Annual changes in performance and compensation   | 30 June 2016 | 30 June 2017 | 30 June 2018 | 30 June 2019 | 30 June 2020 |
|--|--------------|--------------|--------------|--------------|--------------|
| Company's Performance – Net Income               | 598,620      | (106,174)    | (659,858)    | (476,430)    | (904,183)    |
| Company's Performance – Equity                   | 50,041,537   | 49,935,363   | 49,525,504   | 49,049,074   | 48,144,891   |
| Executive compensation                           | 1,385,035    | 657,750      | 553,558      | 508,562      | 463,562      |
| Staff costs, excluding executives                | 569,289      | 466,811      | 594,516      | 379,635      | 322,941      |
| Average full-time, non-executive staff           | 13           | 10           | 10           | 8            | 5            |
| Average compensation for non-executive employees | 43,791       | 46,681       | 62,036       | 47,454       | 64,588       |

Details on the compensation paid to corporate officers for related contracts are described in paragraph 4.13 of this report.

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

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

### 4.13.3 Specific compensation for executives and Corporate Agents

#### i) Mr Julien Moulin

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

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

At its 23 March 2016 meeting, the Board of Directors of *La Française de l'Energie* decided to allocate to its Chairman and CEO an exceptional compensation of €250,000 before tax in the event of the success of the Company's IPO, and an additional amount of €250,000 before tax should funds raised exceed 20 million euros, plus related charges of €100,000. As of 30 June 2020, the balance of this exceptional remuneration of €45,000 has been paid.

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

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

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

- the payment of half of the compensation would depend on the stock market performance of the Company's securities, and would only be due in the event that the average share price of the Company on Euronext Paris in the last three months prior to the dismissal of Mr Julien Moulin is more than 50% of the average price since the completion of the Company's IPO;

- the payment of half of the compensation would depend on the Company's progress in its exploration and production activities, as these progress is measured and considered satisfactory if, in the six months prior to the revocation of Mr Julien Moulin, at least one of the following events occurred: (i) granting at least one new exclusive exploration permit or concession; (ii) start of gas production at one, at least, of the Group's drilling sites; (iii) development of electricity generation from the production of Gazonor.

#### **ii) Mr Antoine Forcinal**

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

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

#### **4.13.4 Free shares awarded**

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

The Board of Directors, on 30 June 2016 and 30 June 2017, adopted the Regulation of the Plan implemented in 2016 and identified the initial beneficiaries of the first and second plans. A third and fourth plan were implemented according to the allocation presented in the following table, respectively after the Remuneration Committee's advice dated 09 July 2018 and the Board of Directors' decision of 12 December 2019.

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

The Board of Directors, on 21 October 2019, recorded, in accordance with the regulations of the plan, the definitive allocation of 5,231 free shares to 9 employees, and the final allocation decision was made by the Chairman on 03 December 2019.

| <b>Number of shares allocated</b> | <b>Free shares<br/>30 June 2017</b> |
|-----------------------------------|-------------------------------------|
| Stéphanie Borraccia               | 235                                 |
| Christophe Muller                 | 131                                 |
| Romain Chenillot                  | 518                                 |
| Antoine Forcinal                  | 1,898                               |
| Yann Fouant                       | 1,612                               |
| Michael Vion                      | 229                                 |
| Anthony Delobea                   | 362                                 |
| Guillaume Cheret                  | 158                                 |
| Sandra Kolodzieczak               | 88                                  |
| <b>Total, Free Shares granted</b> | <b>5,231</b>                        |

The distribution of the free shares granted as part of the two plans still in progress as of 30 June 2020 appears below, as well as their details per beneficiary:

| <b>Free-Share Plans</b> | <b>Number of shares<br/>initially allocated</b> | <b>Number of shares as of<br/>30 June 2020</b> | <b>Fair value<br/>(market price)</b> |
|-------------------------|---|--|--------------------------------------|
| 9 July 2018             | 8,420   | 8,080  | 16.5                                 |
| 12 December 2019        | 8,919   | 8,919  | 17.4                                 |

| <b>Number of shares granted</b>   | <b>Free shares as of<br/>12 December 2019</b> | <b>Free shares as of<br/>9 July 2018</b> |
|-----------------------------------|---|--|
| Stéphanie Borraccia               | 442   | 915                                      |
| Christophe Muller                 | 214   | 418                                      |
| Romain Chenillot                  | 854   | 368                                      |
| Fadi Nassif                       | 469   | 375                                      |
| Antoine Forcinal                  | 2,551   | 2,467                                    |
| Yann Fouant                       | 1,100   | 1,489                                    |
| Michael Vion                      | 182   | 688                                      |
| Anthony Delobea                   | 119   | 737                                      |
| Ludovic Brige                     | 257   | 222                                      |
| Sandra Kolodzieczak               | 67  | 92                                       |
| Patrice Dubois                    | 76  | 98                                       |
| Guillaume Cheret                  | 259   | 137                                      |
| Jeremy Glasson                    | 857   | 74                                       |
| Julien Moulin                     | 1,472   | -  |
| <b>Total, Free shares granted</b> | <b>8,919</b>                                  | <b>8,080</b>                             |

#### **4.13.5 Service contracts with corporate officers**

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

Following the opinion of the Appointments and Compensation Committee dated 30 June 2017, the Board of Directors, at its meeting on the same day, decided to authorise and approve that LFDE International, the Luxembourg subsidiary of the Company in charge of the Group's international development, should sign a specific contract with the English law firm NextGen NRJ Limited, Mr



Moulin's personal holding company, for the provision of these specific public-relations services, particularly at the European level, and for seeking financing within the community of international investors, particularly those based in London. This contract is for an indeterminate period from the date of its signing.

The terms of this agreement are:

- The services provided by NextGen NRJ Limited are twofold:
  - o public-relations services;
  - o services rendered in the search for targeted acquisition projects and financing operations
- In return for these services, LFDE International pays NextGen NRJ Limited a monthly fee of €10,000, excluding taxes.

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

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

In the year ended 30 June 2020, the Group recorded a charge related to services billed by NextGen NRJ Limited, amounting to €90,000 excluding taxes, following the interruption of services during the period of the health crisis.

#### 4.14 OTHER BENEFITS

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

#### 4.15 INFORMATION ON THE COMPOSITION OF THE COMPANY'S CAPITAL

##### 4.15.1 Shareholding structure as of 28 October 2020

As of 28 October 2020, shareholding structure with the major Shareholders is as follows:

| Major Shareholders   | Number of shares | % of capital |
|--|------------------|--------------|
|  |                  | %            |
| F. DURR  | 515,638          | 10.0%        |
| J. MOULIN  | 406,178          | 7.9%         |
| CHALOPIN Family  | 402,609          | 7.8%         |
| FINANCIERE ARBEVEL   | 384,857          | 7.5%         |
| EUROPEAN GAS LIMITED (historical Shareholders – Great Britain) | 366,572          | 7.1%         |
| <b>Total, Major Shareholders</b>                               | <b>2,075,854</b> | <b>40.3%</b> |
| Others   | 3,080,036        | 59.7%        |
| <b>Total number of shares</b>                                  | <b>5,155,890</b> | <b>100%</b>  |

#### 4.15.2 Crossing of legal thresholds

In 02 May 2019, Arbevel Financial declared it had exceeded the holding threshold of 5% of the Company's shares.

On 06 October 2020, Frédéric Durr stated he had exceeded the holding threshold of 5% of the Company's shares after registering his shares.

Also on 06 October 2020, Ginkgo Holdings declared that it had dropped below the 5% holding threshold for the Company's shares and would no longer be a Shareholder in the Company.

On 28 October 2020, Jean Chalopin stated he had exceeded the holding threshold of 5% of the Company's shares after registering his shares.

Also on 28 October 2020, Deltec Bank & Trust declared it had dropped below the 5% holding threshold for the Company's shares and would no longer be a Shareholder in the Company.

#### 4.15.3 Distribution of the Company's capital as of 30 June 2020

In accordance with the provisions of Article L. 233-13 of the Commercial Code, we indicate below the distribution of the Company's shareholding as of 30 June 2020, with the percentage of ownership of the capital:

| Major Shareholders > 3%  | Number of shares | % of capital |
|--|------------------|--------------|
|  |                  | %            |
| DELTEC BANK & TRUST  | 737,801          | 14.3%        |
| GINKGO HOLDING   | 567,148          | 11.0%        |
| J. MOULIN  | 406,178          | 7.9%         |
| FINANCIERE ARBEVEL   | 384,857          | 7.5%         |
| EUROPEAN GAS LIMITED (historical Shareholders – Great Britain) | 366,572          | 7.1%         |
| <b>Total, Major Shareholders</b>                               | <b>2,462,556</b> | <b>47.8%</b> |
| Others (holdings < 3% of capital)                              | 2,693,334        | 52.2%        |
| <b>Total number of shares</b>                                  | <b>5,155,890</b> | <b>100%</b>  |

#### 4.15.4 Free-share plans

As recalled in section 4.13.4 of this report, the Joint General Shareholders' Assembly of 23 March 2016 approved the implementation of free-share assignment plans for all or part of the Group's employees and executives, and on 30 June 2016, 30 June 2017, 09 July 2018 and 12 December 2019, the Board of Directors adopted each free-share assignment plan and determined its initial beneficiaries as detailed in the aforementioned Section.

#### 4.15.5 Capital Increase Delegations

The following table shows the delegations and financial authorities in effect as of 30 June 2020:

| Nature of the authorisation   | Date of GA<br>(Resolution No.)          | Duration and<br>expiration | Amount allowed<br>(nominal or %)   | Use |
|---|---|----------------------------|--|-----|
| Delegation of jurisdiction to the Board of Directors to decide on the issuance, maintaining the preferential subscription rights of shareholders, of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities that provide access to equity securities to be issued.  | 29 November 2019<br>(Resolution No. 13) | 26 months                  | <ul style="list-style-type: none"> <li>• Nominal amount of capital increases limited to 2.5 million euros;</li> <li>• Nominal amount debt securities limited to 15 million euros.</li> </ul> |     |
| Delegation of jurisdiction to the Board of Directors to decide on the issuance, suppressing the preferential subscription rights of shareholders, by way of public offering, of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities that provide access to equity securities to be issued.   | 29 November 2019<br>(Resolution No. 14) | 26 months                  | <ul style="list-style-type: none"> <li>• Nominal amount of capital increases limited to 2.5 million euros;</li> <li>• Nominal amount debt securities limited to 15 million euros.</li> </ul> |     |
| Delegation of jurisdiction to the Board of Directors to decide on the issuance, suppressing the preferential subscription rights of shareholders, by way of an offering, as covered by Article L. 411-2 II of the Monetary and Financial Code, of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities that provide access to equity securities to be issued. | 29 November 2019<br>(Resolution No. 15) | 26 months                  | <ul style="list-style-type: none"> <li>• Nominal amount of capital increases limited to 2.5 million euros;</li> <li>• Nominal amount debt securities limited to 15 million euros.</li> </ul> |     |
| Delegation of jurisdiction to the Board of Directors to increase the amount of issuances, maintaining or suppressing the preferential subscription rights of shareholders.  | 29 November 2019<br>(Resolution No. 16) | 26 months                  | 15% of the original issue amount.  |     |

| Nature of the authorisation  | Date of GA<br>(Resolution No.)          | Duration and<br>expiration | Amount allowed<br>(nominal or %)  | Use |
|--|---|----------------------------|---|-----|
| Authorisation for the Board of Directors to set the price of issues of common shares or securities that are equity securities giving access to other equity securities or entitling to the allocation of debt securities, or securities giving access to equity securities to be issued, made by public offering or by way of an offering, as covered by Article L. 411-2 II of the Monetary and Financial Code, suppressing the preferential subscription rights of shareholders, within a limit of 10% of equity per year. | 29 November 2019<br>(Resolution No. 17) | 26 months                  | 10% of the share capital (on the day the issuance price is set by the Board of Directors), per 12-month period. |     |
| Delegation of powers to the Board of Directors to decide whether to issue common shares or securities giving access to the Company's equity within a limit of 10% of share capital, suppressing the preferential subscription rights of shareholders, in compensation for in-kind contributions to the Company.  | 29 November 2019<br>(Resolution No. 18) | 26 months                  | 10% of the share capital (on the day of the Board of Directors' decision regarding the issue).                  |     |
| Authorisation on the Board of Directors to increase the share capital by issuing equity securities or securities that are equity securities giving access to other equity securities of the Company or entitling to the allocation of securities, or of debt securities, or securities giving access to securities to be issued, suppressing the preferential subscription rights of shareholders in favour of members of a savings plan.  | 29 November 2019<br>(Resolution No. 19) | 26 months                  | 2% of the share capital (on the day of the Board of Directors' decision)  |     |
| Delegation of jurisdiction to the Board of Directors to decide on an increase in share capital by incorporating bonuses, reserves, profits or others the capitalisation of which would be accepted   | 29 November 2019<br>(Resolution No. 21) | 26 months                  | Limited to 2.5 million euros  |     |

| Nature of the authorisation  | Date of GA<br>(Resolution No.)          | Duration and<br>expiration | Amount allowed<br>(nominal or %)   | Use  |
|--|---|----------------------------|--|--|
| Permission for the Board of Directors to proceed with the allocation of free shares. | 29 November 2019<br>(Resolution No. 20) | 26 months                  | <ul style="list-style-type: none"> <li>• The number of shares may not exceed 250,000 shares, i.e. less than 5% of the share capital;</li> <li>• Must not exceed 10% of total allocations made for those awarded to the executive directors.</li> </ul> | Decision by the Board of Directors on 01 December 2019 on the adoption of the 2019 free-share allocation plan and delegation of powers to the Chairman for the implementation of said plan |

#### ***4.15.6 Evolution of the LFDE title***

As of 30 June 2020, the Company's shares were traded at a value of €15, compared to €17.5 on 30 June 2019 on Euronext Paris' C compartment.

#### ***4.15.7 The Company's intervention on its securities***

During the year ended 30 June 2020, the Company conducted transactions on its own shares as part of the liquidity agreement with Louis Capital Markets UK LLP / Midcap Partners as an investment service provider. A new liquidity contract was set up on 15 March 2019 with the same service provider, under the same terms and conditions as the previous one.

As of 30 June 2020, the Company held 8,678 of its own shares, compared to 5,523 equity shares in 2019, i.e. less than approximately 0.1% of the share capital, acquired at an average cost price of €16.68 (2019: €15.71).

#### ***4.15.8 Terms of Shareholder participation at the General Shareholders' Meeting***

These terms and conditions are provided for in Article 23 of the Company's statutes.

#### ***4.15.9 How to evaluate agreements on day-to-day operations***

Work to define the modalities for the regular evaluation of these agreements is underway and will be finalized in FY21.

## 5. OTHER ASPECTS OF CORPORATE GOVERNANCE

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### 5.1 GENERAL DIRECTION AND LIMITATIONS TO POWERS

#### *(i) General Management operating mode*

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

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

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

#### *(ii) Limiting the powers of the Chairman and CEO*

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

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

### 5.2 PARTICIPATION OF SHAREHOLDERS IN GENERAL ASSEMBLIES

#### *(i) Notices*

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

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

#### *(ii) Conditions for participating in meetings*

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

The recording or accounting registration of securities in the bearer securities accounts held by the authorised intermediary is determined by a certificate of participation issued by the latter, attached

to the remote-voting or proxy form, or to the request for an admission card established in the shareholder's name or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to the shareholder wishing to participate physically in the meeting and who did not receive his admission card by 00:00, Paris time, on the second business day before the meeting.

(iii) [Videoconferences](#)

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

(iv) [Remote voting](#)

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

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

(v) [Attendance sheet](#)

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

(vi) [Bureau and Chair](#)

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

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

(vii) [Proceedings](#)

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



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

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

- The Company's capital: see paragraph 4.15.1 of the annual financial report outlining the composition of the shareholding as of 30 June 2020;
- Statutory restrictions on the exercise of voting rights and transfers of shares or clauses brought to the Company's knowledge: no such restrictions or clauses;
- Direct or indirect participations in the capital of the Company, of which it is aware: the Company was not aware of this type of take Participation during the year;
- List of holders of all securities with special control rights and the description thereof: the Company is not aware of the existence of any such special control rights;
- Control mechanisms provided for in a possible system of employee ownership, when control rights are not exercised by the latter: nothing;
- Agreements between Shareholders of which the Company is aware and which may result in restrictions on share transfers and the exercise of voting rights: the Company is not aware of any such agreements;
- Rules applicable to the appointment and replacement of board members and amendments to the statutes: the applicable rules in this area are statutory and are in accordance with the law;
- Powers of the Board of Directors, in particular regarding the issuance or repurchase of shares: delegations made by the Company's Shareholders' General Assembly to the Board of Directors are listed in paragraph 4.15.3 of the annual financial report;
- Agreements providing compensation for members of the Board of Directors (Chairman and CEO, and Managing Director) or employees, if they resign or are dismissed without just cause or if their employment ends due to a public offering. (See section 4.13.3 of this report.)

## 6. OTHER PRESENTED INFORMATION

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### 6.1 RESEARCH AND DEVELOPMENT

In calendar year 2019, *La Française de l'Energie* registered a €253K Research Tax Credit (CIR) and Innovation Tax Credit, related mainly to the personnel expenses incurred in the "Bleue Lorraine" project, named after the exclusive research permit used to recover subsoil coal gas.

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

In accordance with the accounting rules applicable in the current IFRS and French standards, the Group's exploration activities are not recognised as expenses but are capitalised.

## **6.2 EMPLOYEE SHAREHOLDING**

No company savings plan has been set up for the benefit of the Company's employees. Employee ownership is set up through free-share allocation plans.

As of 30 June 2020, employees' participation in the social capital calculated in accordance with the provisions of Article L. 225-102 of the Commerce Code is 1.3%.

## **6.3 RECAPITULATIVE STATUS OF OPERATIONS CARRIED OUT BY EXECUTIVES AND THEIR RELATIVES**

Executives and their relatives did not purchase or sell securities during this fiscal year.

## **6.4 APPROPRIATION OF RESULTS**

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

It will be proposed to affect the full loss of the year as reflected in the Company's Financial Statements as of 30 June 2020, i.e. (€904,183) – in full to tax-loss carry-forwards, shifting these from a debit balance of €613,675 to a debit balance of €1,517,858.

## **6.5 ABSENCE OF LOANS**

During the year ended 30 June 2020, the Company did not grant, as an incidental to its core business, any loans to companies with which it maintains economic ties justifying it (Article L. 511-6, 3a-al 2 of the Monetary and Financial Code).

## **6.6 NON-DEDUCTIBLE EXPENSES**

In accordance with the provisions of Articles 223c and 223d of the General Tax Code, we specify that the amount of the Company's expenses covered by Article 39-4 of the Code stood at €2,878 for the year ended 30 June 2020. The Company recorded no tax charge in this regard, due to the period's tax loss.

## **6.7 REINTEGRATED GENERAL EXPENSES**

As a result of the fiscal audit that ended over the year, tax-loss carry-forwards prior to tax integration were adjusted downwards by €741K.

## **6.8 MEASURES TAKEN AS PART OF A LOW-CARBON STRATEGY**

*La Française de l'Energie* provides its customers with economically and ecologically competitive energy and seeks to act to reduce greenhouse-gas emissions and reduce the carbon footprint of the energy consumed within its territories. Thus, 100% of its turnover comes from renewable and recovered energy (75% green electricity and 25% recovery gas).

Given its activities, the Group contributes to the reduction of CO<sub>2</sub> emissions in an absolute way by capturing the fatal gas in the former mining galleries and avoiding its release into the atmosphere, avoiding more than 600,000 tons of CO<sub>2</sub> eq emissions per year at these 4 sites in the Hauts-de-France, according to a report by the Ineris published in January 2019. LFDE is thus the largest contributor to the effort to reduce the carbon footprint of the Hauts-de-France region and the only French producer with a negative carbon footprint.

## **6.9 TABLE OF RESULTS FOR LAST FIVE FISCAL YEARS**

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

| <i>Date of arrest</i>  | 30 June 2020 | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
|--|--------------|--------------|--------------|--------------|--------------|
| <i>Duration of the year (months)</i>   | 12           | 12           | 12           | 12           | 12           |
| <b>AT YEAR'S END</b>   |              |              |              |              |              |
| Social capital   | 5,155,890    | 5,150,659    | 5,065,174    | 5,065,174    | 5,065,174    |
| Number of common shares  | 5,155,890    | 5,150,659    | 5,065,174    | 5,065,174    | 5,065,174    |
| Number of bonds convertible into shares  |              |              |              |              | -            |
| <b>OPERATIONS AND RESULTS</b>  |              |              |              |              |              |
| Tax-free sales   |              |              |              |              | -            |
| Earnings before taxes, equity, depreciation and amortisation and provisions              | (1,491,189)  | (2,366,911)  | (330,593)    | (90,458)     | 1,211,814    |
| Income taxes   | 593,057      | 1,898,243    | -            | -            | (601,378)    |
| Employee participation   |              |              |              |              | -            |
| Depreciation and amortisation and provisions   | (6,051)      | (7,762)      | (329,265)    | (15,716)     | (11,816)     |
| Net income   | (904,183)    | (476,430)    | (659,858)    | (106,174)    | 598,620      |
| <b>RESULT PER SHARE</b>  |              |              |              |              |              |
| Earnings after taxes, participation, before depreciation and amortisation and provisions | (0.17)       | (0.09)       | (0.06)       | (0.02)       | 0.12         |
| Earnings after taxes, equity, depreciation and amortisation and provisions               | (0.17)       | (0.09)       | (0.13)       | (0.02)       | 0.12         |
| Dividend paid on each share  | -            | -            | -            | -            | -            |
| <b>PERSONAL</b>  |              |              |              |              |              |
| Average employee workforce   | 7            | 10           | 12           | 13           | 16           |
| Payroll  | 696,503      | 768,197      | 1,009,328    | 954,561      | 1,139,324    |
| Social charges   | 292,283      | 269,870      | 422,714      | 587,422      | 465,053      |

## 6.10 INFORMATION ON PAYMENT TERMS

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

|   | Article D. 441-4 I.-1: Invoices <u>received</u> unpaid on the closing date of the year due                                     |              |               |               |                 |                      | Article D. 441-4 I.-2: Unsettled <u>issued</u> invoices on the closing date of the year due                       |              |               |               |                 |                      |
|---|--|--------------|---------------|---------------|-----------------|----------------------|---|--------------|---------------|---------------|-----------------|----------------------|
|   | 0 day<br>(indicative)  | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day and up) | 0 day<br>(indicative)   | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day and up) |
| (A) Late payment tranches   |  |              |               |               |                 |                      |   |              |               |               |                 |                      |
| Number of relevant invoices   | 29   |              |               |               |                 | 104                  |   |              |               |               |                 |                      |
| Total amount of relevant invoices (incl. all taxes)   | 94   | 7            | 37            | 7             | 133             | 184                  |   |              |               |               |                 |                      |
| Percentage of year's total purchases (incl. all taxes)  | 6%   | 0.5%         | 2.5%          | 0.5%          | 9%              | 19%                  |   |              |               |               |                 |                      |
| Percentage of year's revenue (excl. taxes)  |  |              |               |               |                 |                      |   |              |               |               |                 |                      |
| (B) Bills excluded from (A) relating to disputed or unaccounted-for debts and receivables                             |  |              |               |               |                 |                      |   |              |               |               |                 |                      |
| Number of invoices excluded   | 6  |              |               |               |                 |                      |   |              |               |               |                 |                      |
| Total invoices excluded   | 2,630  |              |               |               |                 |                      |   |              |               |               |                 |                      |
| (C) Reference payment periods used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the Commerce Code) |  |              |               |               |                 |                      |   |              |               |               |                 |                      |
| Payment times used to calculate late payments   | x Contractual deadlines: variable deadlines depending on the supplier, in accordance with the legal provisions and regulations |              |               |               |                 |                      | x Contractual deadlines: not applicable as of 30 June 2019<br><input type="checkbox"/> Legal deadlines: (specify) |              |               |               |                 |                      |

*Invoices from Entrepouse Drilling (€2,465K), with which the Company is in dispute as of 30 June 2020, are included in Part (B) to this table.*

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

## 7. MAIN RISKS AND UNCERTAINTIES OF THE COMPANY

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

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

### 7.1 GENERAL RISKS ASSOCIATED WITH THE NATURAL GAS INDUSTRY

At this stage, the Group produces a recovery gas called mine gas that is captured in the former mining galleries in order to avoid the release of this fatal gas to the atmosphere, thus avoiding significant pollution in the territories concerned. Once recovered, this gas is then developed either as green electricity and heat or directly as gas injected into the existing network.

To date, the Group mainly generates revenues from its green-electricity production, since the sale of mine gas represents only 25% of its turnover.

Activities relating to the production of natural gas are subject to various risks including the following.

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

The Group's future financial condition and results of operations are dependent on the success of its exploration, appraisal, development, and production activities. Exploration, appraisal, development, and production activities are subject to numerous risks some of which are beyond the Group's control. 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. When drilling is required, the costs associated with drilling, completing and operating wells 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 projects, including the following:

- facility or equipment malfunctions, drilling hazards or environmental damage;
- pressure or irregularities in geological formations;
- reductions in natural gas prices;
- administrative delays;
- regulatory changes and
- delays in obtaining or renewing permits.

Because of these uncertainties, the Group does not know if the identified drilling locations will be drilled within its expected timeframe, or if the Group will be able to economically produce natural gas from these or any other potential drilling locations.

The feasibility of gas extraction depends on numerous factors. Developing a hydrocarbon production field requires significant investments to drill production wells and build facilities, 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 addition, the materialization of the risks described above may result in the carrying value on the Group's proven assets not being recoverable and therefore an impairment charge being required to reduce the carrying value of the proven assets to their estimated fair value, as discussed in more detail below.

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

At the time operations are launched, there are still numerous uncertainties about the quality of subsoil gas, as the case may be, produced. Knowledge of reserves can sometimes be unpredictable and may only be acquired gradually during exploration and production operations. Should the estimate of gas reserves and the economic analysis justify the development of a discovery, the quantity and quality of the reserves discovered may, during production, turn out to be lower than predicted, or may vary from one site to another, and thus compromise the economics of the operation. In addition, in order to market such gas, the quality of the gas must comply with certain criteria (for instance, in terms of percentage of methane). If the quality of the gas turns out to be lower than expected, the improvement of the quality of the natural gas may generate additional costs which may compromise the profitability of the production of gas, or even affect the commerciality of the gas produced.

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

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

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

- environmental hazards, such as natural gas leaks and pipeline ruptures;
- facility or equipment malfunctions, failures, or accidents;
- reservoir damage; restrictions linked to licensing or regulatory issues;
- unusual or unexpected geological formations or pressure or irregularities in formations;
- protests or disruptions caused by local communities, organisations and activist movements acting for ecological or political purpose; and
- administrative delays related to processing certain permit applications and authorisations

The cost to develop the Group's projects depends 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.

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

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

In particular, the gas energy industry is subject to ongoing development throughout the world and the entry of new competitors. These new competitors could either operate in the gas sector or in the sector of energy sources. Such other types of energies may be produced and marketed at a lower price than that associated with the gas resources and reserves operated by the Group.

It is impossible to accurately forecast future gas price movements. Any material decline or increase in gas prices could result in a change in its development plans.

Declines in gas prices may also result in the Group having to make 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 assets.

The Group is required to perform impairment tests on proved gas assets for each financial statement reporting date and whenever events or changes in circumstances indicate that the carrying value of proven assets may not be recoverable. To the extent such tests indicate a reduction in the estimated useful life or estimated future cash flows of the Group's gas assets, the carrying value may not be recoverable and therefore an impairment charge will be required to reduce the carrying value of the proven assets to their estimated fair value.

## **7.2 SPECIFIC RISKS ASSOCIATED WITH THE GROUP AND ITS ACTIVITIES**

***The Group has had an operating history since 2017 and its success depends on its ability to generate cash flow through future operations***

The Group's operations and their success will depend on the Group's ability to manage current projects, identify and exploit potential new opportunities in mine gas, coal gas and solar energy. There can be no assurance that the cash flows generated by Gazonor and Gazonor Benelux will be sufficient to meet the Group's working capital and investment needs in the future.

For coal-gas projects that are not yet in operation, estimates of resources, reserves, capital requirements and operating costs are, to a large extent, based upon the interpretation of geological data and a series of assumptions including operating costs and expected production. These assumptions may prove wrong and as a result it is possible that actual operating costs and economic returns may differ materially from those estimated.

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

The Group's business, which relies on the identification, evaluation and production of gas, is dependent upon the analysis of geological data and assessments, describing potential or identified reserves and resources, carried out by the Group or by third-party experts, which are inherently uncertain and may prove wrong. Regarding identification of reserves and resources, the Group relies in particular on data extracted from reports, in particular from the CPRs (*Competent Person Reports*), which has been prepared in accordance with the standards established by the 2007 Petroleum Resources Management System,



approved by the Society of Petroleum Engineers, and historical data collected by Charbonnages de France.

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

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

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

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

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

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

The Group's actual production, revenues and expenditures with respect to its gas reserves and resources will likely be different from estimates, and the differences may be material. Any inaccuracy in the Group's proven and probable reserves estimates could result in decreased profitability from lower than expected revenue and/or higher than expected costs and may affect the value of its shares.

***The Group's long-term success (excluding renewable energies) depends on the identification and development of new resources and profitable gas reserves***

Despite the stock of certified recovery gases at its Poissonnière and Désirée concessions in the Hauts-de-France and at Anderlues in Wallonia, which can cover over 120 years of production at the current rate, the future success of the Group's mine- and coal-gas activities depends on the Group's ability to find, evaluate, develop and acquire additional economically profitable gas reserves.

To do so, the Group must identify and access new resources through exploration under existing permits, obtaining new exploration and operating permits from governments or negotiations for the acquisition of permit rights. The Group currently relies on geological data describing identified resources and reserves, such as the data mentioned in CPRs.

Currently identified gas reserves may not be profitably operated and new resources and reserves may be necessary for the Group to continue its activities. If the Group is unable to replace reserves through drilling or acquisitions, its level of production and cash flows will be adversely affected. In general, production from gas assets declines as reserves are depleted, with the rate of decline depending on the relevant reservoir characteristics. The Group's total reserves decline as reserves are produced unless the Group conduct other successful exploration and development activities or acquire assets containing reserves. The ability of the Group to make the necessary capital investment to maintain or expand its asset base of gas reserves could be impaired to the extent cash flow from operations is reduced and external sources of capital become limited or unavailable. As a result, the Group may not be successful in exploring, appraising, and developing 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 drilling technology using by the Group in Lorraine 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 in Lorraine.

The Group plans to test and exploit CBM reservoirs using multi-lateral wells. This type of well, sometimes referred to as "horizontal", are widely used in the international gas industry and the Group believes that the usual techniques employed to drill such wells can be implemented in France.

However, a number of risks remain in the operation of such drilling technology, including the risk of sticking tools in the hole, loss of valuable equipment which may not be recovered, inability to steer the well in the desired formation and inability to progress the well to the desired length/depth. These risks may be more or less severe depending on the uncertainties regarding the geometry and continuity of the target formation and the length of the well. If such risks materialize, the Group may face interruptions, delays or the loss of valuable wells, which could result in disruptions to the Group's activities or changes in its development projects, and therefore have an adverse effect on the Group's development.

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

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

After the certification of the first proven reserves in the Lorraine region and the successful completion of its Lachambre well, with a modified well architecture and equipment better suited to the constraints of the Lorraine subsoil, the Group has applied for a production permit in Lorraine in November 2018. The Group may face delays or unexpected costs that make it unable to convert its business model from the exploration phase to the production phase and/or to produce gas in a cost and/or time effective manner or meet its return on investment objectives.

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

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

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

Capital investment expenditures will be required to complete appraisal work on the Group’s existing projects, to acquire new permits or develop 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 strategy.

The estimated capital expenditure requirements of the Group are based on expected costs and certain assumptions with respect to the method and operational planning. 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 in securing financing for its new projects, expansion and operations***

The Group has a capital activity that requires substantial funds to operate its assets and thus generate revenue. Although the Group generates revenues, it finances its operations through debt and capital financing. The Group’s existing funds and available credit facilities may not be sufficient to finance new projects or acquisitions. In the future, the Group may be forced to resort to new debt or capital financings in order to advance its expansion plans. The Group cannot guarantee that it will be able to obtain additional capital or debt financing if necessary, or that the terms associated with this financing will be acceptable to the Group.

The Group’s ability to raise funds for its projects and other forms of financing for its operations may depend on a number of factors, including gas and electricity prices, interest rates, economic conditions, credit-market conditions, capital markets, and the country’s risk issues. Failure to secure financing or refinancing could result in reconsideration or delays in planned capital expenditures, a reduction in

planned growth or increased financing costs, and adversely affect its business, financial position, results, outlook 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 evaluation, development and production projects;
- gas and electricity prices;
- the Group's ability to locate and acquire additional gas reserves;
- the Group's ability to produce gas, electricity or hydrogen from these reserves;
- the terms and timing of agreements concerning Concessions or authorisations related to the projects the Group wishes to conclude; and
- the effects of competition with larger companies operating in the natural-gas sector.

Additionally, any debt financing the Group undertakes could make the Group more vulnerable to changing 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, which may have a negative impact on the Group's long-term development and business.

***The Group may not be able to accomplish its business plans***

The Group's business plans are based on assumptions and forecasts regarding the Group's activity and developments in its financial position. In particular, these plans were based on assumptions such as the Group's ability to meet its capital-spending plans and deadlines. These forecasts may prove to be inaccurate, and external events may occur that may influence these assumptions and forecasts (*e.g.*, technical problems, increased equipment prices, a gap between expected size and actual size of gas reserves and resources, etc.). As a result, the Group's business plans may not be completed.

***The Group depends on a small number of customers who could continue to account for a significant portion of operating revenues in the future***

A small number of customers such as Total Direct Energie, EDF Obligation d'Achat and EDF Luminus, represent a significant part of the Group's turnover, and the loss or insolvency of one or more of these customers could have a significant adverse effect on the Group's financial position and results.

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

The Group's ongoing and future success depends on securing and maintaining a positive relationship with the communities in which it operates. The Group believes its operations can provide valuable benefits to surrounding communities, in terms of supplying local energy at reduced costs, 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. Its activity also reduces dependence on imported energy even as it reduces the carbon footprint of the energy used in the territories relevant to its activity. However, communities may oppose to the Group's

activities, which may result in civil unrest, protests, direct action, or campaigns against the Group which could slow down the process of obtaining necessary permits. Any such actions may have a material adverse impact on project costs or production, or in extreme cases, project viability.

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

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

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

***The Group is a young company engaged in energy production and may be exposed to strong competition from larger, well-established energy companies***

The Group operates in a demanding international business environment where there is competition among Recovered and Renewable Energy producers.

Key areas in which the Group faces competition include:

- acquisition of exploration and production permits through competitive or bidding processes run by governmental authorities;
- acquisition of other companies that may already own licenses or existing gas assets;
- engagement of third-party service providers whose capacity to provide key services may be limited;
- entering into commercial arrangements with customers;
- the sale of gas, electricity and green heat; and
- employment of highly-skilled personnel and professional staff.

The Group's competitors include larger and more established companies with significant and superior financial resources, more staff and larger facilities. Competition and other acquisition opportunities may intensify in the future. Although the Group has an operating monopoly on its concessions in France, the Group's competitors would influence, among others, Infynis in the United Kingdom, Steag and RWE in Germany for mine and coal gas, and other French producers of renewable or recovery energy (RRE) such as Akuo, Albioma, and Innovent.

Furthermore, if alternative energy sources, such as hydro, wind or solar power, become more cost-competitive, the demand for traditional energy sources, such as natural gas, which now accounts for 25% of its turnover, could decline.

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

***The Group relies on its management team and senior executives with relevant experience in the energy sector.***

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

The Group's business is also dependent upon its ability to attract and retain qualified personnel. The Group needs competent staff to ensure the provision of technical and engineering services in the production and development of gas resources as well as the exploration of these resources. For example, the Group's plans to develop its CBM Lorraine assets require the identification and retention of personnel who have the specialized experience in drilling and developing natural resources in France. Hiring and retaining such personnel may be more difficult or expensive than expected. 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 energy specialists required to successfully execute and implement the Group's business plan, which will be particularly important as the Group expands. The loss of such personnel and the failure to successfully recruit replacements would have a material adverse effect on its business, financial condition, results of operations, prospects, and future operations.

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

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

The Group's current and future operations are and will be subject to various government policies and regulations governing the gas and renewable-energy industry and the environment. These policies and regulations include the implementation of new rules, granting exploration and production permits and authorisation for drilling operations or the provision of decompression wells, environmental and restoration obligations, the sharing of natural-resource information and reports on operations, the construction of facilities, production, marketing and pricing, transportation and storage.

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

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

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

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

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

***The Group may be involved in legal, regulatory, judicial and other proceedings arising out of its business and operations, and may incur important costs or substantial production 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 intended at limiting the operational activities of the Group under its permits or challenging before French courts the administrative decisions granting or renewing exploration permits (*Permis Exclusifs de Recherche*). Although the Group does not see these actions as presenting a serious risk to its activities, the Group may incur significant management time and legal costs in defending such claims.

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

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

Due to the nature of its operations, the Group is exposed to various health, safety, environmental and operating risks. Such risks may include adverse weather conditions or disasters such as earthquakes or flooding, fires, unusual or unexpected variations in geological conditions, industrial accidents, critical failures in its exploration and production equipment, mishandling or loss of containment of dangerous substances, and technical problems.

The Group faces industrial and environmental risks inherent in gas and electricity exploration and production activities. Among these risks are eruptions of gas during drilling, well collapses and spills or leaks of gas, leading, in particular, to risks of toxic spillage, fire or explosions. All these events are capable of damaging or destroying the wells and surrounding facilities, endangering human lives or property,

leading to business interruptions and causing environmental damage with certain direct consequences for the health and economic wellbeing of local communities.

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

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

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

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

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

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

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

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

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



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

## **7.4 MARKET RISKS**

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

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

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

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

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

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

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

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

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

- changes in the Group's financial results, forecasts or outlook or those of its competitors from one period to the next;
- adverse developments in the political, economic or regulatory situation applicable in the countries and markets in which the Group operates; or legal or administrative proceedings concerning the Group;
- unfavourable developments in gas prices;
- announcements of changes to the Company's shareholding;
- announcements about changes to the Group's management team or key employees; and
- announcements on the scope of the Company's assets (acquisitions, divestitures).

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

### **Coronavirus Outbreak: Situation Update regarding the Group's Activities**

In an uncertain macro-economic and health context marked by the spread of Covid-19, at the closing date of these annual consolidated Financial Statements, the risk analyses carried out show that the Group's operational activities have been little affected to date by the consequences of the spread of the virus.

In particular, all facilities are managed and controlled remotely, and the activity and organization of the Group's operational teams has been adapted to deal with new regulatory constraints.

Risks that have an impact on the Group's operations at this stage are:

- the fall in the price of gas and electricity in Belgium, a consequence of changes in economic and economic conditions; and
- delays in processing and obtaining administrative approvals (building permits, connection, etc.).

## **7.5 RISK PREVENTION AND MANAGEMENT**

### ***Insurances taken out by the Company***

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

The main insurances in effect within the Group relate to drilling activities/pollution risks with Lloyd's-Oilfield-Starr-Markel, property damage, the loss of operations, and machine failures with Albingia, pollution liability with Axa, and general and executive liability with Liberty.

### ***General Internal-Control Principles***

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

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

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

In the energy sector, governments and public authorities are key contacts. The Group is present in 3 European Union countries, all with a low level of corruption according to the index prepared by Transparency International in 2020. The Group advocates zero tolerance for fraud in all its forms, particularly corruption or influence peddling.

### ***Internal-control procedures for financial and accounting reporting***

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

The Group's General and Financial Management activities are centralized at the Company's level. The Subsidiary Gazonor has administrative and financial services and an accounting support.

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

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

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

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

### **7.6 FINANCIAL RISKS LINKED TO THE EFFECTS OF CLIMATE CHANGE**

The Group considers that there are no significant financial risks related to the effects of climate change in relation to its activity to reduce the carbon footprint of consumers and the territories in which it operates.

## 8. FINANCIAL STATEMENTS

### 8.1. FINANCIAL STATEMENTS AND ANNEXES

#### INCOME STATEMENT

| Fiscal year ended 30 June 2020                                  | Notes | 30 June 2020       | 30 June 2019       |
|---|-------|--------------------|--------------------|
|   |       | €                  | €                  |
| <b>Revenues</b>   |       |                    |                    |
| Inventoried products/Capitalised production                     |       | -                  | -                  |
| Operating subsidies   |       | 3,675              | -                  |
| Reversals of provisions and depreciation, transfers of expenses |       | 5,812              | 10,193             |
| Other revenues  | 2.1   | 907,558            | 685,700            |
| <b>Total operating revenues</b>                                 |       | <b>917,045</b>     | <b>695,893</b>     |
| Purchases of goods and raw materials                            |       | -                  | -                  |
| Inventory changes   |       | -                  | -                  |
| Other purchases and external expenses                           | 2.2   | (1,237,333)        | (1,260,608)        |
| Taxes and similar levies  |       | (13,724)           | (22,436)           |
| Wages and salaries  | 2.3   | (696,503)          | (768,197)          |
| Social contributions  | 2.3   | (292,283)          | (269,870)          |
| Depreciation and amortisation                                   |       | (6,051)            | (7,762)            |
| Appropriations to provisions                                    | 2.4   | 0                  | 0                  |
| Other expenses  |       | (49,400)           | (316,250)          |
| <b>Total operating expenses</b>                                 |       | <b>(2,295,294)</b> | <b>(2,645,123)</b> |
| <b>Operating result</b>   |       | <b>(1,378,249)</b> | <b>(1,949,230)</b> |
| Provision write-backs and transfers of expenditures             |       |                    | 6,092              |
| Other financial revenues  |       | 3,303              | 2,557              |
| Financial allocations for depreciation and amortisation         |       | 0                  | 0                  |
| Other financial expenses  |       | (207,581)          | (183,456)          |
| <b>Financial result</b>   | 2.5   | <b>(204,277)</b>   | <b>(174,807)</b>   |
| Exceptional revenues  |       | 284,461            | 51,277             |
| Exceptional expenses  |       | (199,174)          | (301,913)          |
| <b>Exceptional result</b>                                       | 2.6   | <b>85,287</b>      | <b>(250,637)</b>   |
| Employee profit-sharing   |       | 0                  | 0                  |
| Income taxes  | 2.7   | 593,057            | 1,898,243          |
| <b>Net result</b>   |       | <b>(904,183)</b>   | <b>(476,430)</b>   |

## BALANCE SHEET - ASSETS

| As of 30 June 2020                      | Notes     | Gross<br>30 June 2020 | Depreciation,<br>provisions | Net<br>30 June 2020 | Net<br>30 June 2019 |
|---|-----------|-----------------------|-----------------------------|---------------------|---------------------|
|   |           | €                     | €                           | €                   | €                   |
| Concessions, patents and similar rights | 3.2       | 30,036                | 23,887                      | 6,149               | 9,613               |
| Other intangible assets                 | 3.1       | 43,259,552            | 316,040                     | 42,943,512          | 42,607,717          |
| Plant and equipment                     |           | 22,117                | 18,156                      | 3,961               | 730                 |
| Other tangible assets                   |           | 25,798                | 25,798                      | 0                   | 262                 |
| Current capital assets                  | 3.3       | 16,722                |                             | 16,722              | 236,862             |
| Other investments                       | 3.4       | 1,019,056             | 868,544                     | 150,512             | 150,002             |
| Receivables from equity interests       | 3.4       | 17,951,038            |                             | 17,951,038          | 17,951,038          |
| Other long-term investments             |           | 144,747               | 14,577                      | 130,170             | 86,766              |
| Other financial assets                  |           | <u>12,052</u>         |                             | <u>12,052</u>       | <u>10,558</u>       |
| <b>Fixed assets</b>                     |           | <b>62,481,119</b>     | <b>1,267,002</b>            | <b>61,214,117</b>   | <b>61,053,549</b>   |
| Inventories                             |           |                       |                             |                     |                     |
| Advances and prepayments on orders      |           | 6,288                 |                             | 6,288               | 550                 |
| Trade and related receivables           | 3.5       | 1,648,394             |                             | 1,648,394           | 3,070,009           |
| Other receivables                       | 3.5 / 4.3 | 2,047,324             |                             | 2,047,324           | 2,547,821           |
| Liquid assets                           |           | <u>527,405</u>        |                             | <u>527,405</u>      | <u>369,150</u>      |
| <b>Circulating assets</b>               |           | <b>4,229,411</b>      |                             | <b>4,229,411</b>    | <b>5,987,531</b>    |
| Prepaid expenses                        |           | 75,292                |                             | 75,292              | 107,810             |
| Amortisation of issue costs             |           | 45,875                |                             | 45,875              | 220,321             |
| <b>Total Assets</b>                     |           | <b>66,831,697</b>     | <b>1,267,002</b>            | <b>65,564,695</b>   | <b>67,369,211</b>   |

## BALANCE SHEET - LIABILITIES

| As of 30 June 2020                           | Notes     | 30 June 2020      | 30 June 2019      |
|--|-----------|-------------------|-------------------|
|  |           | €                 | €                 |
| Social capital                               | 3.6       | 5,155,890         | 5,150,659         |
| Issue premiums                               | 3.6       | 44,078,955        | 44,084,186        |
| Legal reserve                                |           | 105,762           | 105,762           |
| Other reservations                           |           | 72,142            | 72,142            |
| Postpone again                               |           | (613,675)         | (137,245)         |
| <b>Earnings for the year</b>                 |           | <b>(904,183)</b>  | <b>(476,430)</b>  |
| Investment grants                            |           | <u>250,000</u>    | <u>250,000</u>    |
| <b>Equity</b>                                | 3.6       | <b>48,144,891</b> | <b>49,049,074</b> |
| Risk provisions                              |           | 9,706             | 171,777           |
| Expense provisions                           |           | <u>1,393,337</u>  | <u>1,404,245</u>  |
| <b>Provisions for risks and expenses</b>     | 3.9       | <b>1,403,043</b>  | <b>1,576,022</b>  |
| Miscellaneous borrowings and financial debts | 3.8 / 4.4 | 11,795,106        | 11,815,303        |
| Supplier debts and related accounts          | 3.5       | 587,164           | 899,991           |
| Tax and social debts                         | 3.5       | 1,074,983         | 964,262           |
| Capital debt and related accounts            | 3.5       | 2,522,896         | 2,962,289         |
| Other debts                                  | 3.5       | <u>21,110</u>     | <u>88,362</u>     |
| <b>Debts</b>                                 |           | <b>16,001,260</b> | <b>16,730,207</b> |
| Passive conversion gap                       |           | 15,501            | 13,907            |
| <b>Total Liabilities</b>                     |           | <b>65,564,695</b> | <b>67,369,211</b> |

## APPENDIX TO THE FINANCIAL STATEMENTS

Appendix to the Balance Sheet before appropriation for the year ended 30 June 2020, the total of which is €65,565K, and the full-year Income Statement, with a negative operating profit of (€1,378K) and a net loss of (€904K).

These Financial Statements were approved by the Board of Directors of *La Française de l'Energie* on 12 October 2020. They will be submitted for Shareholders' approval at the General Shareholders' Meeting to be held on 03 December 2020.

### 1. RULES, METHODS AND ACCOUNTING PRINCIPLES

#### 1.1. General Principles and Going Concern

Accounts closed on 30 June 2020 were prepared in accordance with the Accounting Standards Authority's ("*Autorité des Normes Comptables*") regulation N° 2014-03 dated 05 June 2014 relating to the General Chart of Accounts, as well as subsequent regulations amending certain articles.

The general accounting conventions were applied in accordance with the principle of prudence, in accordance with basic assumptions:

- ongoing concern,
- permanence of accounting methods,
- independence of fiscal years.

The basic method used to assess accounting items is the historical-cost method. The evaluation and presentation methods have not changed from the previous year.

It should be noted that, in the context of an acute health and economic crisis during this fiscal year, management has implemented measures from the early March 2020 to adapt the organisation of the Group's work in order to continue all of its activities.

#### Going concern

In establishing the Financial Statements, General Management assesses the Company's ability to continue operating.

In particular, the Company's General Management regularly reviews its financing options to ensure that business continuity remains assured, taking into account, among other things, its investment decisions and expected cash flows, including those resulting from cash advances and rebilling revenues from other Group companies.

The Company's cash flow is negative, at some €200K per month. As of 30 June 2020, the Company's cash position was positive, at €527K.

At the same time, trades payable continued to decline, amounting to €3.9M at 30 June 2019 and falling to €3.1M at 30 June 2020. This balance still takes into consideration an amount of nearly €2.5M in disputed invoices to Entrepouse Drilling.

At the level of the *La Française de l'Energie* Group, including the Company's direct and indirect subsidiaries, the net cash change for FY20 amounted to €2,603K, compared to (€2.611K) in the previous fiscal year, mainly from Gazonor.

Regarding the Gazonor's available cash, all or part of it may only be made available to the Group's entities, including *La Française de l'Energie*, after the authorisation of lenders BPI and SaarLB and subject to the financial ratios in force on that date (see note 3.11 of the annex to the consolidated Financial Statements). However, this rule does not apply to rebilling services or other intra-Group agreements. As of 30 June 2020, all services and allowances due by Gazonor to *La Française de l'Energie*, and all amounts due as part of the tax integration, amount to €838K, which can still be made available to *La Française de l'Energie* by Gazonor without the permission of the lenders. As of 30 June 2020, on the basis of the credit agreements, no restrictions would apply on the net cash held by Gazonor, *i.e.* €2.2M.

For the year ending 30 June 2021, the Company's General Management forecasts a negative cash flow that would be covered by cash advances and the rebilling of certain services to other companies of the Group (Gazonor and Gazonor Benelux in particular), as well as new sources of financing under negotiation.

In terms of funding, the Company was able to count on several sources during the year ended 30 June 2020:

- The pre-financing of the 2015 and 2016 CIR (*Research Tax Credit*) for a total amount of €531K, net of costs. It should be noted that the Company still holds Research Tax Credits, the refund of which is yet to be obtained, for a total amount of €842K as of 30 June 2020 (refund received post-closing).
- Current-account advances made by Gazonor, dropping from a credit balance of €7,248K to €6,744K between 30 June 2019 and 30 June 2020, which remained in accordance with the limitation clauses imposed by the banks financing Gazonor.

Finally, the Shareholder loan, for a nominal amount of €3,977K, due on 27 December 2019, was the subject of an amendment providing for the extension of this maturity, with various repayment instalments, €500K nominal on 31 December 2019, €250K nominal on 30 June 2020, and €3,930K nominal plus commissions and interest on 31 December 2020. An amendment was signed on 30 September 2020 providing for a new repayment schedule as follows: €2,330K on 31 December 2020; €1,000K on 30 June 2021; and the balance, including interest and commissions, for €1,300K on 31 December 2021.

Based on these data and forecasts, the Company considers it can continue to operate in fiscal year 2020-2021, to meet its cash requirements, to meet its debt obligations within 12 months of the closing date of the Financial Statements or, when they are the subject of litigation, that they will not be payable during said period.

The Company's Financial Statements as of 30 June 2020 were prepared on the basis of the Company continuing as a going concern.

## **1.2. Accounting rules and methods**

### A/Intangible assets – exploration assets

The Company applies the provisions of ANC Regulation 2017-03, dated 03 November 2017, and Article R.123-188 of the Commercial Code, which stipulates that mining exploration costs associated with development costs may be included in the assets of the Balance Sheet under "intangible assets". The starting point of the corresponding amortisation plan may be deferred until the completion of the exploration.

This accounting method covers exploration expenditures *per se*, as well as expenditures on the technical feasibility and extraction ability to generate likely future economic benefits.

The costs of studies and analyses, as well as all costs incurred prior to obtaining mining titles, are recorded as expenses immediately. Geological and geophysical expenses, including seismic exploration campaigns, are accounted for directly in charges for of the period.

In the event of a discovery, unproven mineral rights are transferred to proven mineral rights, at net book value, upon registration of proven reserves, and are reclassified from intangible assets to tangible assets.

Exploration drilling is accounted for and subject to impairment tests on an individual basis, as follows:

- the cost of exploration that has discovered proven reserves is capitalized and subsequently depreciated according to the production-unit method, based on the proven reserves developed;
- while waiting to determine whether they have discovered proven reserves, exploration costs are temporarily capitalized when the following two conditions are met:
  - the well has demonstrated a sufficient volume of gas to justify, if necessary, its production on the assumption that the investments necessary for production are made,
  - the Company is making sufficient progress in determining the reserves and the technical and economic viability of the project. This progress is assessed on the basis of criteria such as additional exploration work (well, seismic work or significant studies) being carried out or firmly, conducting development studies, and taking into account the fact that the Company may be waiting for a government or third party's approval for a proposed project, for the availability of transport or of processing capacity at an existing facility.

Exploration assets are subject to an impairment test as soon as the appearance of a value-loss index (negative changes in reserves, significant change in legislation, strong technological developments, technical inability to exploit the relevant drilling, etc.), and does so at the terminals of the cash-generating units (CGUs) defined for the Company as hydrocarbon fields or groupings of hydrocarbon fields which are homogeneous and consistent in terms of production, processing and disposal of these hydrocarbons. For the Company, these CGUs, as of 30 June 2020, encompass the various EEPs (exclusive exploration permits) currently held.

## B/Other assets

Property, plant and equipment is recorded on the Balance Sheet for acquisition costs, reduced depreciation and potential write-downs. No cost of borrowing has been activated in connection with these tangible assets.

These assets are depreciated in linear fashion over the estimated duration of their use and their potential residual value. The selected durations are:

|                                |               |
|--------------------------------|---------------|
| Industrial equipment and tools | 5 to 10 years |
| Transportation equipment       | 4 to 5 years  |
| Office equipment and furniture | 3 to 5 years  |

No financing leases with assets in service were identified as of 30 June 2020, with the Company engaged only in contracts related to underlying assets of low value or in contracts considered to be simple rentals: vehicles, copiers, etc.

## C/Equity

The gross value of the equity securities is determined on the basis of their cost of acquisition. These assets are depreciated in terms of their market value or utility value. Utility value is estimated on the basis of



several criteria, the main ones being: the value of the equity, the projection of future cash flows, or the valuation of estimated assets on the basis of reasonable operating forecasts.

The acquisition costs of these holdings are recorded as expenses.

The shares of the EG Lorraine subsidiary are still subject to a 100% depreciation of their gross value, *i.e.* €869K, considering the company's prospects in the foreseeable future and the likely results and cash flows expected.

#### D/Other financial assets

Other financial assets are accounted for at their acquisition cost for their gross value, reduced by a write-down in the event of a loss of value relative to their utility value.

The other locked-in securities consist of shares held by Louis Capital Markets UK LLP/Midcap Partners as part of the management of the liquidity contract as concluded by *La Française de l'Energie* since 15 March 2019 and renewing the one signed on 22 June 2017.

As of 30 June 2020, an amount of €145K is included in non-current financial assets, while €64K are recorded in cash (€87K and €128K respectively in the previous year). Gains and losses on disposals recorded in each transaction carried out on the market are recorded as an exceptional result in the Financial Statements, for a net loss of €6K for the year ended 30 June 2020 (€52K in the previous year).

An impairment is recorded if the inventory value, consisting of the average stock-market price at the end of the year, is less than the historical value. A provision for impairment of €15K was recorded as of 30 June 2020.

#### E/Receivables and operating debt

As receivables and debts are valued at face value, a write-down of receivables is made when a risk of non-recovery exists at the end of the fiscal year.

Capital debts include investment-related debts as well as exploration expense debts as described in paragraph A/of this section of the Schedule.

#### F/Currency transactions

Transactions in foreign currencies other than the entity's functional currency are converted at the exchange rate in effect on the transaction date. At the end of the year, assets, liabilities and availability are converted to the closing rate, and the resulting foreign exchange variation is presented as conversion differences.

Unrealised losses are recorded as a risk provision.

In accordance with Regulation 2015-05 on financial futures instruments and hedging operations, since FY18, the Company records its foreign-exchange gains and losses for commercial transactions in other operating revenues and expenses, rather than in financial income.

#### G/Free-share allocation

As of 30 June 2020, two plans approved by the Company's Board of Directors are still in progress, with the designation of beneficiaries, namely the Company's employees and executives.

No charges are recorded in the Company's Financial Statements throughout the acquisition period. However, the employer's contribution due on the acquisition of free shares is observed linearly over this period. As of 30 June 2020, this contribution amounts to a €24K liability.

It should be noted that a second plan expired in FY20, with the Chairman of the Company confirming, on 21 October 2019, the final allocation of 5,231 free shares to the beneficiaries of this plan implemented by the Board of Directors on 30 June 2017. The employer's contribution still remaining to be paid under this second plan as of 30 June 2020 is €7K, with maturities under 1 year.

#### H/Corporate tax

On 01 July 2018, a new tax integration was put in place with *La Française de l'Energie* as the leading tax-integration company, and Gazonor Holding, Gazonor, EG Lorraine and EG NPC in the integration scope.

As part of this tax integration, each company calculates its tax as if it was independent, and pays its tax to the Group's parent company. A tax is then calculated at the level of the integrated tax group.

#### I/Provisions

The Company constitutes and evaluates its provisions in accordance with, among others, Regulation CRC 2000-06 on liabilities, which are intended to cover the risks and charges that current or past events make likely, clearly specifying their purpose, but the completion and maturity or amount of which are uncertain. These include compensations estimated by the Company and its counsels for third-party disputes, litigation and claims.

##### **(i) Site restoration and dismantling costs**

Future site restoration expenses, resulting from a legal, regulatory, contractual or implied obligation, are provisioned on the basis of a reasonable estimate, during the year in which the obligation appears. In return for this provision, site restoration costs are capitalized and integrated into the value of the underlying asset and depreciated over the life of the asset.

The provisions for restoration and dismantling recorded in the Company's accounts as of 30 June 2020 relate to exploration past or present drilling sites in the Lorraine region.

Considering the date of execution of these restoration obligations, the amounts recorded have been discounted, the effects of which are recorded as a financial result for the portion related to the undiscounting effect. The inflation rate retained at 30 June 2020 is the inflation rate according to the INSEE index smoothed over the last ten years (0.77%), while the discount rate is the benchmark market rate, Ibbotson Corp AA 10+ (0.74%).

##### **(ii) Retirement commitment**

For defined-benefit plans and commitments for the payment of retirement benefits, commitments are assessed using the actuarial method of projected credit units based on actuarial assumptions such as salary increases, age at departure, mortality, staff turnover, and discount rate.

The updated commitment regarding retirement benefits is not recorded by the Company, but it is presented as an appendix.

As of 30 June 2020, the Company had incorporated no hedging to meet these commitments.

##### **(iii) Other provisions**

Other provisions are essentially litigations in which the Company is involved on the closing date. A provision is then recorded only in the event of the existence of a generating fact on 30 June 2020, a likely outflow of resources representative of economic benefits, and of a reliable estimate of the obligation.

The estimate of the provision is considered on the basis of the most likely value, *i.e.* an assessment based on the value of the last judgment rendered or the estimate made by lawyers or legal counsel in the case of ongoing litigation.

## 2. NOTES ATTACHED TO THE INCOME STATEMENT

### 2.1. Other revenues

In the year ended 30 June 2020, the Company recorded other revenues for €907K, compared to an amount of €686K for the previous year. As for 2019, these are mainly services rebilled to the Gazonor and Gazonor Benelux subsidiaries, mostly personnel and structural costs incurred by *La Française de l'Energie* for the benefit of its subsidiaries. This rebilling is carried out on the basis of the actual costs recorded with the application of a mark-up of 5% corresponding to a remuneration of market rate. The increase observed between 2019 and 2020 is due mainly to staff costs incurred and rebilled by *La Française de l'Energie* to its new operating subsidiaries, Cellcius and Gazonor Béthune, for €162K and €171K, respectively, as of 30 June 2020.

| Breakdown of other revenues         | 30 June 2020   | 30 June 2019   |
|-------------------------------------|----------------|----------------|
|                                     | €              | €              |
| Services rendered – Gazonor         | 494,701        | 512,312        |
| Services rendered – Gazonor Benelux | 68,381         | 112,927        |
| Services rendered – Cellcius        | 161,978        |                |
| Services rendered – Gazonor Béthune | 170,512        |                |
| Rebiling of projects in partnership | 11,044         | 26,124         |
| Currency gains                      | 471            | 0              |
| Sundry everyday-management revenues | 0              | 34,337         |
| <b>Total, Other revenues</b>        | <b>907,086</b> | <b>685,700</b> |

### 2.2. Other external purchases and expenses – other expenses

The most significant items contained in other external purchases and expenses are presented below for the years ended 30 June 2020 and 2019:

| Other purchases and external expenses               | 30 June 2020     | 30 June 2019     |
|---|------------------|------------------|
|   | €                | €                |
| Property and real-estate rentals                    | 81,372           | 93,047           |
| Studies and research                                | 43,141           | 111,058          |
| Accounting and legal fees – Consultants             | 323,739          | 424,174          |
| Auditors' fees                                      | 119,742          | 129,098          |
| Communications                                      | 105,106          | 71,858           |
| Travel expenses                                     | 65,037           | 62,767           |
| Commissions and other intermediaries                | 112,841          | 91,731           |
| Banking services and commissions                    | 188,967          | 148,070          |
| Other expenses                                      | 197,388          | 128,805          |
| <b>Total, Other purchases and external expenses</b> | <b>1,237,333</b> | <b>1,260,608</b> |

Among the most significant developments between 2019 and 2020, there was a sharp decline in the “fees – consultants” line item, as well as the “studies and research” line item related to the implementation of the Group’s projects and the optimization of studies carried out in the context of new projects in development.

Banking services are up, following the conclusion of a new Shareholder loan amendment providing for the extension of the 27 December 2019 maturity in return for an increase in commissions, spread over the duration of this loan.

### 2.3. Staffing expenses

The Company’s staff costs amounted to €989K in FY20 (€1,038K in FY19), mainly due to the decrease in average workforce from 9.8 to 6.63 between fiscal years 2019 and 2020. The staff at closing date stood at 10 people.

#### Staff

| Staff                         | 30 June 2020 | 30 June 2019 |
|-------------------------------|--------------|--------------|
| Management                    | 6            | 5            |
| Workers and employees         | 4            | 3            |
| <b>Total staff at closing</b> | <b>10</b>    | <b>8</b>     |

#### Compensation for senior executives

As of 30 June 2020, two people can be assimilated into this category, Mr. Julien Moulin, Chairman and CEO of *La Française de l’Energie*, and Mr. Antoine Forcinal, Managing Director.

The amount of compensation awarded to senior executives breaks down as follows:

| Compensation for senior executives | 30 June 2020   | 30 June 2019   |
|------------------------------------|----------------|----------------|
| Fixed and variable compensation    | 373,562        | 388,562        |
| Attendance fees                    | 0              | 0              |
| <b>Total compensation</b>          | <b>373,562</b> | <b>388,562</b> |

### 2.4. Depreciation and amortisation and provisions

The provisioning expense recorded for the years ended 30 June 2020 and 2019 is zero, compared to €319K in 2018. This charge mainly included impairment on exploration assets (intangible assets) for exploration costs associated with the Lons-le-Saulnier and Gardanne areas for €220K and €74K, respectively.

As of 30 June 2020, based on the administrative status of the Company’s permits and their ability to generate cash flows in the foreseeable future, no new impairment on exploration assets was recorded.

### 2.5. Financial result

The elements that make up the financial result are:

| Financial results                 | 30 June 2020     | 30 June 2019     |
|-----------------------------------|------------------|------------------|
|                                   | €                | €                |
| Depreciation on Equity securities | (14,577)         |                  |
| Interest expenses                 | (182,191)        | (156,514)        |
| Other financial revenues/expenses | (7,509)          | (18,293)         |
| <b>Total financial result</b>     | <b>(204,277)</b> | <b>(174,807)</b> |

For the year ended 30 June 2020, the financial result consists mainly of the interest expenses, made of interest on the current account advance from Gazonor SAS, and interest on the Shareholder advance.

## 2.6. Exceptional result

As of 30 June 2020, the exceptional result consists mainly of a of €162K provision reversal, which concerned the risk assessment of the tax audit last year and the penalties of €71K related to this tax audit, as well as the loss of capital gains on the sale of shares under the liquidity contract, *i.e.* €6K (€52K last year).

## 2.7. Income tax

In the context of the tax integration in which *La Française de l'Energie* is the Group's parent company, the difference between the sum of taxes owed by the integrated subsidiaries and the Group's tax charge is a revenue of €344K, derived solely from the tax owed by Gazonor. The tax result of the integration Group is negative, at (€951K), of which (€1,669K) is related to *La Française de l'Energie*.

The tax integration Group's cumulative deferred tax deficits amounted to €2,937K as of 30 June 2020.

As of 30 June 2020, the Company still has pre-tax integration tax-loss carry-forwards amounting to €3,767K.

Whereas in 2019, Research Tax Credits had been the subject of a declaration for the calendar years 2015 to 2018, and for total amounts of €1,133K, the Research Tax Credit for 2019 amounts to €195K, with an Innovation Tax Credit of €55K.

### Breakdown of the total amount of income tax

| Income tax                              | 30 June 2020   | 30 June 2019     |
|---|----------------|------------------|
|   | €              | €                |
| Tax consolidation revenue               | 343,727        | 764,931          |
| Tax consolidation expense               | -              | -                |
| 2015 Research Tax Credit                | -              | 277,130          |
| 2016 Research and Innovation Tax Credit | -              | 323,803          |
| 2017 Research and Innovation Tax Credit | -              | 282,099          |
| 2018 Research and Innovation Tax Credit | -              | 250,280          |
| 2019 Research and Innovation Tax Credit | 249,330        |                  |
| <b>Total income tax</b>                 | <b>593,057</b> | <b>1,898,243</b> |

## 3. NOTES ATTACHED TO THE BALANCE SHEET

### 3.1. Exploration assets – Intangible assets

As explained in Accounting rules and methods, expenses recorded in Other intangible assets consist of all costs incurred during the prospection and exploration drilling phases.

The year's increase in these exploration assets relates mainly to the work carried out at the sites of the Lorraine basin (Bleue Lorraine permit), in particular at the Lachambre site, including the costs necessary to file the application for a Bleue Lorraine concession made on 28 November 2018 with France's Ministry of Ecological and Solidarity Transition and Ministry of Economy and Finance.

As of 30 June 2020, the gross value of these exploration costs amounts to €43,260K, including site restoration costs, at €1,386K, on the basis of calculations concerning the four sites concerned, Folschwiller, Tritteling, Lachambre and Pontpierre. Its restatement was calculated to 2040, the reference limit year following the Hulot Act, enacted in December 2017, on the following basis:

- Discount Rate (Ibbox Corp AA 10+): 0.74% (0.77% in 2019)
- Inflation rate (INSEE 10-year average): 0.77% (0.88% in 2019)

As noted in "2.4 Amortisation and Provisions", a legal analysis was conducted jointly with the Company's counsels as of 30 June 2020, regarding the status of each permit for which exploration costs were recorded. Company Management also evaluated the results of the drilling and the qualification of reserves at the end of the fiscal year. As a result, no further impairments were noted at the end of FY20.

Changes in gross and net values between 30 June 2019 and 30 June 2020 are as follows:

| Variations – Gross value                     | 30 June 2019      | Acquisitions   | Transfers     | Other     | 30 June 2020      |
|--|-------------------|----------------|---------------|-----------|-------------------|
|  | €                 | €              | €             | €         | €                 |
| Assets – Bleue Lorraine ELP                  | 40,918,374        | 357,515        |               |           | 41,275,889        |
| Assets – Other ELP                           | 597,893           |                |               |           | 597,893           |
| Provision for site restoration               | 1,385,770         |                |               |           | 1,385,770         |
| <b>Total – gross value</b>                   | <b>42,902,037</b> | <b>357,515</b> | <b>-</b>      | <b>-</b>  | <b>43,259,552</b> |
| Changes – Depreciation and amortisation      | 30 June 2019      | Prov. Amort.   | Prov. Deprec. | Reversals | 30 June 2020      |
|  | €                 | €              | €             | €         | €                 |
| Assets – Bleue Lorraine ELP                  | -                 |                |               |           | -                 |
| Assets – Other ELP                           | (294,320)         |                | (21,720)      |           | (316,040)         |
| Provision for site restoration               | -                 |                |               |           | -                 |
| <b>Total – Depreciation and amortisation</b> | <b>(294,320)</b>  | <b>-</b>       | <b>-</b>      | <b>-</b>  | <b>(316,040)</b>  |
| <b>Total – Net worth</b>                     | <b>42,607,717</b> |                |               |           | <b>42,943,512</b> |

By exclusive exploration permit or concession, excluding provisions for restoration, exploration assets are as follows:

| Permits/Concessions                          | Status   | 30 June 2020      | 30 June 2019      |
|--|--|-------------------|-------------------|
|  |  | €                 | €                 |
| Bleue Lorraine                               | <i>Claim for concession in progress</i>        | 41,275,889        | 40,918,374        |
| Bleue Lorraine Sud                           | <i>Non-prolongation, Contentious appeal</i>    | 303,573           | 303,573           |
| Bleue Lorraine Nord                          | <i>Explicit rejection – Contentious appeal</i> |                   |                   |
| La Grande Garde                              | <i>Explicit rejection – Contentious appeal</i> |                   |                   |
| Lons-le-Saulnier                             | <i>Order of rejection, Contentious appeal</i>  |                   |                   |
| Gardanne                                     | <i>Order of rejection</i>                      |                   |                   |
| <b>Total, Exploration assets (net value)</b> |  | <b>41,579,462</b> | <b>41,221,947</b> |

The Bleue Lorraine Sud permit was the subject of an extension application in July 2016, an application rejected by ministerial decree on 29 December 2017. On this basis, *La Française de l'Energie* has launched a legal action, dated 10 September 2018, in order to obtain the extension of this permit. The litigation appeal was rejected by the Strasbourg Administrative Court on 22 July 2020, the Company decided to submit an indemnity application, as the perimeter of the permit can still be secured at a later date.

### 3.2. Concessions, patents and software

| Variations – Gross value                     | 30 June 2019    | Acquisitions   | Transfers     | Other     | 30 June 2020    |
|--|-----------------|----------------|---------------|-----------|-----------------|
|  | €               | €              | €             | €         | €               |
| Sage X3 Software                             | 24,000          |                |               |           | 24,000          |
| Other intangible assets                      | 4,828           | 1,208          |               |           | 6,036           |
| <b>Total – Value Gross</b>                   | <b>28,828</b>   | <b>1,208</b>   | <b>0</b>      | <b>0</b>  | <b>30,036</b>   |
| Variations – Depreciation and amortisation   | 30 June 2019    | Prov. Amort.   | Prov. Deprec. | Reversals | 30 June 2020    |
|  | €               | €              | €             | €         | €               |
| Sage X3 Software                             | (14,387)        |                |               |           | (14,387)        |
| Other intangible assets                      | (4,828)         | (4,672)        |               |           | (9,500)         |
| <b>Total - Depreciation and amortisation</b> | <b>(19,215)</b> | <b>(4,672)</b> | <b>0</b>      | <b>0</b>  | <b>(23,887)</b> |
| <b>Total - Net worth</b>                     | <b>9,613</b>    |                |               |           | <b>6,149</b>    |

The “concessions, patents and similar rights” line item includes mainly software, including the licenses for the Sage X3 software acquired on 01 July 2016 and depreciated over 5 years.

### 3.3. Property and equipment

“Property and equipment” consists mainly of small equipment and tools, vehicles, and furniture and computer equipment.

Current capital assets are recorded for €17K as of 30 June 2020 (against €237K in 2019), in connection with the construction of a building in the commune of Faulquemont (57) which will contain Company offices and warehouses from late 2020. On the basis of a total budget of €940K, including €68K in land, this complex benefits from leasing financing. The decrease is due to the transfer to the lessor’s credit of the costs initially borne by the Company.

The changes in the gross and net value of these assets are presented below:

| Variations – Gross value                     | 30 June 2019    | Acquisitions   | Transfers        | Other            | 30 June 2020    |
|--|-----------------|----------------|------------------|------------------|-----------------|
|  | €               | €              | €                | €                | €               |
| Industrial equipment and tools               | 17,909          | 4,208          |                  |                  | 22,117          |
| Other tangible assets                        | 25,798          |                |                  |                  | 25,798          |
| Assets in progress                           | 236,862         | 18,073         | (100,054)        | (138,159)        | 16,722          |
| <b>Total – Gross value</b>                   | <b>280,569</b>  | <b>22,281</b>  | <b>(100,054)</b> | <b>(138,159)</b> | <b>64,637</b>   |
| Variations – Depreciation and amortisation   | 30 June 2019    | Prov. Amort.   | Prov. Deprec.    | Reversals        | 30 June 2020    |
|  | €               | €              | €                | €                | €               |
| Industrial equipment and tools               | (17,179)        | (977)          |                  |                  | (18,156)        |
| Other tangible assets                        | (25,536)        | (262)          |                  |                  | (25,798)        |
| Assets in progress                           |                 |                |                  |                  |                 |
| <b>Total – Depreciation and amortisation</b> | <b>(42,715)</b> | <b>(1,239)</b> |                  |                  | <b>(43,954)</b> |
| <b>Total – Net worth</b>                     | <b>237,854</b>  |                |                  |                  | <b>20,683</b>   |

### 3.4. Financial real estate – Subsidiaries and Holdings

The other holdings relate to the securities held by *La Française de l'Energie*, only of subsidiaries wholly-owned by the Company and part of the consolidated Financial Statements published by the Company. See the table of subsidiaries and holdings below.

|  | EG Lorraine | EG NPC   | LFDE International | Concorde Energy Inc | Cellcius   |
|--|-------------|----------|--------------------|---------------------|------------|
| <b>Subsidiaries and holdings (in €K)</b> |             |          |                    |                     |            |
| Capital                                  | 869         | -        | 1,000              | 6,391               | 1          |
| Shareholders' Equity other than capital  | (898)       | (21)     | (12,604)           | (5,007)             | (169.9)    |
| Net income                               | (1)         | (1)      | 61                 | -                   | (165)      |
| Turnover                                 | -           | -        | -                  | -                   | -          |
| Share of capital held                    | 100%        | 100%     | 100%               | 100%                | 51%        |
| <b>Gross book value of securities</b>    | <b>869</b>  | <b>1</b> | <b>1</b>           | <b>150</b>          | <b>510</b> |
| Net book value of securities             | 0           | 1        | 1                  | 150                 | 510        |
| Loans and advances granted               | 27          | 21       | 18,234             | -                   | 1          |

Interest receivables are related to a current account with LFDE International, the majority of which is valued at its acquisition value when the Transcor/Gazonor Group was acquired in June 2016.



### 3.5. Receivables and debt maturities

The trade-receivables balance consists almost entirely of invoices on 30 June 2020 as yet unbilled to its subsidiaries, in particular for to the rebilling of services rendered.

Other receivables mainly concern the Research Tax Credit, the refund of which was claimed from 2015 to 2018 (the amount remaining pending in debt for €590K at the end of June 2020), the tax integration due by Gazonor (€337K), recoverable VAT receivables, and receivables related to Group current accounts, which are found in liabilities in various loans and financial debts.

All trade payables and other liabilities presented below have a maturity of less than one year as of 30 June 2020, excluding €5K in employer contribution for employees shares. Of this balance, however, an amount of €2,465K is under dispute with Entrepouse Drilling, which the Company does not expect to pay in the coming fiscal year.

| Status of Receivables and payables – 30 June 2020 | To 1 year        | 1 to 5 years | Over 5 years      | Total             |
|---|------------------|--------------|-------------------|-------------------|
|   | €                | €            | €                 | €                 |
| Equity-related receivables                        |                  |              | 17,951,038        | 17,951,038        |
| Other financial assets                            |                  |              | 12,052            | 12,052            |
| Receivables and related accounts                  | 1,648,394        |              |                   | 1,648,394         |
| Other receivables                                 | 2,047,324        |              |                   | 2,047,324         |
| <b>Totals – Maturity of receivables</b>           | <b>3,695,718</b> |              | <b>17,963,090</b> | <b>21,658,808</b> |

| Status of Receivables and payables – 30 June 2020 | To 1 year         | 1 to 5 years | Over 5 years | Total             |
|---|-------------------|--------------|--------------|-------------------|
|   | €                 | €            | €            | €                 |
| Loans and sundry financial debts                  | 3,891,767         |              |              | 3,891,767         |
| Group and partner                                 | 7,903,339         |              |              | 7,903,339         |
| Trade payables                                    | 3,110,061         |              |              | 3,110,061         |
| Tax and social debts – other debts                | 1,090,585         | 5,498        |              | 1,096,083         |
| <b>Totals – Maturity of payables</b>              | <b>15,995,752</b> | <b>5,498</b> |              | <b>16,001,250</b> |

### 3.6. Capital and equity

#### Distribution of social capital

As of 31 December 2019, the share capital of *La Française de l'Energie* amounts to €5,156K and is divided into 5,155,890 common shares with a par value of €1.00 each, fully paid-in.

During the year, 5,231 new shares were issued following the final allocation of free shares awarded to beneficiaries of the first plan initiated on 30 June 2017. This capital increase was made by incorporation of issuance bonuses, following the confirmation by the Board of Directors on 21 October 2019 of the compliance with the terms of the settlement of the plan and the final award decision taken by the Chairman on 03 December 2019.

No other transactions have taken place on the capital since 01 July 2019.

## Variation in Shareholder's Equity

| Variations in Shareholders' equity | Value at<br>30 June 2019 | 2020 result      | 2019 Income<br>appropriation | Dividends | Other<br>Variations | Value at<br>30 June 2020 |
|------------------------------------|--------------------------|------------------|------------------------------|-----------|---------------------|--------------------------|
|                                    |                          | €                | €                            | €         | €                   |                          |
| Share capital                      | 5,150,659                |                  |                              |           | 5,231               | 5,155,890                |
| Share premiums                     | 44,084,186               |                  |                              |           | (5,231)             | 44,078,955               |
| Legal reserve                      | 105,762                  |                  |                              |           |                     | 105,762                  |
| Other reserves                     | 72,142                   |                  |                              |           |                     | 72,142                   |
| Carry-forward                      | (137,245)                |                  | (476,430)                    |           |                     | (613,675)                |
| Result for the financial year      | (476,430)                | (904,183)        | 476,430                      |           |                     | (904,183)                |
| Investment subsidies               | 250,000                  |                  |                              |           |                     | 250,000                  |
| <b>Total</b>                       | <b>49,049,075</b>        | <b>(904,183)</b> | <b>-</b>                     | <b>-</b>  | <b>-</b>            | <b>48,144,891</b>        |

Share premiums of €44,084K in 2019 represent the difference, during FY16, between all the share premiums related to the IPO operations of the *La Française de l'Energie* Group and the conversion of previously issued bonds, for a total premium of €45,374K, and the amount, net of tax, of the costs incurred by the Group during this IPO, *i.e.* €1,204K.

### 3.7. Share-based payments/free shares

The 23 March 2016 General Shareholders' Meeting of *La Française de l'Energie* authorized the Board of Directors to grant free shares to the benefit of Group employees and managers, for up to 5% of the social capital. This distribution of free shares must be done through a capital increase transaction by incorporating reserves or premiums.

Following the review of the Appointments and Compensation Committee, a first plan was decided on 30 June 2016 and granted 85,485 shares in November 2018 (out of 85,601 shares initially allocated to beneficiaries).

On 30 June 2017, the Board of Directors adopted the Settlement Plan implemented in 2016 and determined the initial beneficiaries of the second plan, for 5,231 shares, awarded definitively in December 2019.

Two other plans were initiated on 09 July 2018 and 12 December 2019, providing for the allocation of free shares distributed among the Group's employees and managers, as summarised below:

| Free-share plans | Number of shares<br>initially awarded | Number of shares as<br>of 30 June 2020 | Fair value |
|------------------|---------------------------------------|--|------------|
| 09 July 2018     | 8,420                                 | 8,080                                  | 16.5       |
| 12 December 2019 | 8,919                                 | 8,919                                  | 17.4       |

All of these cumulative allocations represent a total of about 2% of the capital, below the ceiling set under the original authorization.

These free shares will be awarded definitively to beneficiaries within two years of their initial award date, provided that these beneficiaries retain their position within the Group for that duration, and that the other conditions specified under this free-share plan are met.

Under current accounting standards, no charge is recognized under these plans, only the employer contribution on the final acquisition of the shares by their beneficiary is provisioned in a linear manner over two years.

### 3.8. Borrowings and financial debts

Excluding current accounts, the following change occurred to the Company's financings during the year ended 30 June 2020:

Put in place in 2017, the Shareholder loan had a face value of €3,977K for a 1.98% interest rate, excluding commission, and a maturity of 27 December 2019. In FY19, this loan was the subject of an amendment providing for the extension of this maturity with different repayment instalments, *i.e.* €500K nominal on 31 December 2019, €250K nominal on 30 June 2020, and €3,930K nominal plus commissions and interest on 31 December 2020.

The amount of €3,892K in value on the Balance as of 30 June 2020 corresponds to the funds obtained as well as to the interest and commissions on financing that will only be paid at maturity.

Taking into account the current Gazonor account, borrowings and financial debts break down as follows:

| Loans and sundry financial debts         | 30 June 2020      | 30 June 2019      |
|--|-------------------|-------------------|
|  | €                 | €                 |
| Shareholder loan (including commissions) | 0                 | 3,817,740         |
| <b>Financial debts over one year</b>     | <b>0</b>          | <b>3,817,740</b>  |
| Shareholder loan (including commissions) | 3,891,767         | 750,000           |
| Current Accounts (Gazonor)               | 6,744,143         | 7,247,563         |
| Current Accounts (Gazonor Benelux)       | 1,159,197         |                   |
| <b>Financial debts under one year</b>    | <b>11,795,106</b> | <b>7,997,563</b>  |
| <b>Total, Financial debts</b>            | <b>11,795,106</b> | <b>11,815,303</b> |

Finally, as mentioned in Part 3.3 of this annex, in October 2019, the Company signed a lease agreement with the LCL bank regarding land and a complex of offices and warehouses in the commune of Faulquemont, to be commissioned by late 2020, at a total package of €940K.

This contract will have a term of 12 years from the time it takes effect, for an interest rate of around 2.4% and an option to buy at the end of the contract of €94K.

### 3.9. Provisions

| Provisions                     | 30 June 2019     | Appropriations | Reversals      | Other           | 30 June 2020     |
|--------------------------------|------------------|----------------|----------------|-----------------|------------------|
|                                | €                | €              | €              | €               | €                |
| Provision for site restoration | 1,404,245        | 10,813         |                | (21,720)        | 1,393,337        |
| Provisions for litigation      | 171,777          |                | 162,071        |                 | 9,706            |
| <b>Total, Provisions</b>       | <b>1,576,022</b> | <b>10,813</b>  | <b>162,071</b> | <b>(21,720)</b> | <b>1,403,043</b> |

The provision for restoration concerns the four Lorraine sites where drilling operations have taken place. It is determined on the basis of technical expertise and external quotes. As no new technical or regulatory obligations have been set in FY20, its evolution is solely related to the accretion expense for €11K and the modification of the discount assumptions for €22K, the consideration of this amount having been recorded in the decrease in the underlying assets.

This provision was calculated with a 0.74% discount rate and 0.77% inflation rate.

As of 30 June 2019, the provision for litigation of €172K was related to the risk assessment of the resolution of the ongoing tax audit on the Company covering the periods from 01 July 2013 to 30 June 2017. This was reversed for €162K following the conclusion of the tax audit.

## 4. OTHER INFORMATION

### 4.1. Lease commitments

#### Real-estate leases

The Company leases offices located in the municipality of Forbach (Moselle) on the basis of a 9-year lease maturing on 30 June 2022, with the possibility of termination at the end of each three-year period. Payments under this simple real-estate lease are recorded as charges on a linear basis for its term.

The total amount of future commitments resulting from this simple real-estate lease is presented according to their due date in the following table, with the decrease a result of the one-year transition:

| Future commitments – Real-estate rentals               | 30 June 2020  | 30 June 2019   |
|--|---------------|----------------|
|  | €             | €              |
| Under one year   | 36,000        | 36,000         |
| Between one and five years                             | 36,000        | 72,000         |
| Over five years  |               |                |
| <b>Total, Future commitments – Real-estate rentals</b> | <b>72,000</b> | <b>108,000</b> |

*La Française de l'Energie* is also engaged in lease agreements on land and parcels located in the Lorraine region, concluded with private owners for very long periods (maximum term ending in 2091), but with the possibility of early termination.

Annual rents under these contracts are €99K in FY20, with corresponding commitments amounting to €2,584K over the entire possible rental period, with no significant change compared to the previous year.

#### Property leases

As part of its activity, *La Française de l'Energie* finances part of its equipment through simple leases. These contracts mainly concern the rental of vehicles and copiers, the amounts of which are quite insignificant.

### 4.2. Leasing commitments

A real-estate lease was signed on 21 October 2019 between *La Française de l'Energie* and Finamur (LCL) by notarial deed, covering a total investment package of €940K to build an office and warehouse complex in the Pontpierre/Faulquemont business area, which is expected to be completed in October 2020.

This lease provides for a 12-year term, with the possibility for *La Française de l'Energie* of exercising the purchase option early, at the end of a 7-year lease period, the price of this option exercise at the end of the contract being set at €94K.

| Fees by maturity - 30 June 2020      | To 1 year     | 1 to 5 years   | Over 5 years   | Total            |
|--------------------------------------|---------------|----------------|----------------|------------------|
|                                      | €             | €              | €              | €                |
| Leasing rentals                      | 30,000        | 311,975        | 762,059        | 1,104,035        |
| <b>Totals – Receivables maturity</b> | <b>30,000</b> | <b>311,975</b> | <b>762,059</b> | <b>1,104,035</b> |

As of 30 June 2020, the lease has not yet taken effect, as construction is still underway on that date.

### 4.3. Other commitments

#### Financial commitments on permits

The following table describes the Company's financial commitments to two major permits currently held by the Company, with investments and exploration expenses recorded as of 30 June 2020:

| Commitments on<br>exclusive permits to prospect | Initial financial<br>commitments | Investments<br>made | Residual<br>commitments |
|---|----------------------------------|---------------------|-------------------------|
|   | €                                | €                   | €                       |
| Bleue Lorraine                                  | 7,700,000                        | 41,275,889          | Nil                     |
| Bleue Lorraine Sud                              | 7,250,000                        | 303,573             | 6,946,427               |

Each exploration permit granted the Company includes financial commitments in terms of exploration expenses to be incurred over the life of the permit. Furthermore, it is important to note that the expenses recorded on the PER of Bleue Lorraine also concern studies on well architectures, the quality and strength of drilling equipment and tools, and the characteristics of Lorraine coals that may be used for the Bleue Lorraine Sud PER.

The Bleue Lorraine permit was the subject of a concession request in November 2018.

The Bleue Lorraine Sud permit was the subject of an extension application in July 2016, an application rejected by ministerial decree on 29 December 2017 (see note 3.1).

#### Retirement commitments

| Pension commitments – Balance on balance sheet     | 30 June 2019 |
|--|--------------|
| Provision for pension commitments, 30 June 2020    | 23,062       |
| Provision for pension commitments, 30 June 2019    | 18,348       |
| <b>Variation in provision for fiscal year 2019</b> | <b>4,714</b> |

The actuarial assumptions used for estimating pension liabilities as of 30 June 2020 are as follows, with all Company employees, excluding corporate executives, subject to the social legislation in force in France:

- Starting age: 65
- Wage growth: 2%
- Discount rate: 0.74%%
- Rotation rate: 5%
- Mortality table: TGH05/TGF05 (*Mortality tables by generation for men/for women*)

The discount rate increased dropped from 0.77% to 0.74% between 30 June 2019 and 30 June 2020. No hedging assets had been set up by the Company at the closing date.

#### Financial commitments on loans

Gazonor took out a loan from Bpifrance Financement on 22 October 2019, for a nominal amount of €1,340K, to refinance the costs incurred for the acquisition of the three Siemens-type electric motors installed at the Avion site. This loan has a maturity of 6 years, with monthly linear repayments, for a fixed interest rate of 1.5% per year.

This loan security package includes, notably, to a solidarity bond from *La Française de l’Energie* for €1,340K for the duration of the financing.

#### **4.4. Related parties**

As part of its activities, *La Française de l’Energie* was engaged in a number of transactions with persons or entities deemed related parties in the year ended 30 June 2020. The amounts resulting from these transactions and recorded in the Financial Statements are presented below.

| Transactions with related parties                        | 30 June 2020      | 30 June 2019      |
|--|-------------------|-------------------|
|  | €                 | €                 |
| Shareholders' Equity (gross value)                       | 1,019,056         | 1,018,546         |
| Equity-related receivables                               | 17,951,038        | 17,951,038        |
| Current accounts, receivables                            | 346,875           | 280,974           |
| Tax consolidation  | 337,055           | 761,890           |
| Customer receivables – Unbilled revenue                  | 1,648,394         | 3,070,009         |
| <b>Related Parties – Assets</b>                          | <b>21,302,417</b> | <b>23,082,457</b> |
| Shareholder loan   | 3,891,767         | 4,567,740         |
| Current accounts, Payables (Gazonor and Gazonor Benelux) | 7,903,339         | 7,247,563         |
| Trade payable, NextGen NRJ Limited                       |                   | 45,000            |
| <b>Related Parties – Liabilities</b>                     | <b>11,795,106</b> | <b>11,860,303</b> |
| Reinvoicing of Services rendered, Gazonor                | 494,701           | 512,312           |
| Reinvoicing of Services rendered, Gazonor Benelux        | 68,381            | 112,927           |
| Reinvoicing of Services rendered, Cellcius               | 161,978           |                   |
| Reinvoicing of Services rendered, Gazonor Béthune        | 170,512           |                   |
| Attendance fees – Gross expense                          | (45,000)          | (160,000)         |
| <b>Related Parties – Operating Income/Expenses</b>       | <b>850,571</b>    | <b>465,239</b>    |
| Interest earnings on current accounts                    | 2,935             | 2,557             |
| Interest losses on current accounts                      | (97,161)          | (73,773)          |
| Annual interest on Deltec loan                           | (74,027)          | (78,747)          |
| <b>Related Parties – Financial Result</b>                | <b>(168,253)</b>  | <b>(149,963)</b>  |

#### Relationships with related parties

- (i) As of 27 October 2017, the Shareholder loan has been the subject of an amended agreement stipulating, among other things, a maximum amount of advances set at €4,300K for a maturity at the end of December 2018 and an annual interest rate of 1.98%, plus a commission of 2.5% payable on payment of the last instalment of the loan. An amendment to this agreement was signed on 28 September 2018, extending the maturity of the loan to 27 December 2019 and providing for an additional commission of €100K. A second amendment was signed on 30 June 2019 providing, against an increase in commissions, a repayment of €500K on 31 December 2019, €250K on 30 June 2020 and €3,930K on 31 December 2020, including commissions and interest. The December 2019 and June 2020 instalments have been met.
- (ii) A rebilling agreement of services rendered was concluded on 16 January 2018 between *La Française de l'Energie* and Gazonor, so that the former might rebill wage and structure costs to the latter. During FY19, a second amendment was signed between these two companies to ensure that the rebilling of these services is based on allocation keys depending on the time spent by each Company employee and the actual costs recorded over the year. During the year ended 30 June 2020, an amount of €495K excluding taxes was thus rebilled to Gazonor.
- (iii) On 23 April 2019, an agreement providing the same calculation bases for rebilling services was concluded between the Company and its indirect subsidiary, Gazonor Benelux, a subsidiary the operating activity of which began in late April 2019 with the launch of production at its Anderlues site. During the year ended 30 June 2020, the Company recorded an amount of €68K in rebilling.

(iv) Similar agreements with Cellcius and Gazonor Béthune are being signed.

The gross charge related to attendance fees allocated to members of the Compensation and Audit Committees and of the Board of Directors amounted to €45K for the year ended 30 June 2020, in adjustments to fees paid in the previous year, with executive compensation being presented in part 2.3 of this annex.

#### 4.5. Fees for statutory auditors

The statutory auditors' fees paid by the Company include the following elements:

| Fees for statutory auditors                                       | 30 June 2020   | 30 June 2019   |
|---|----------------|----------------|
|   | €              | €              |
| Certification of Financial Statements - La Française de l'Energie | 119,742        | 127,738        |
| Other work and services   | 0              | 0              |
| <b>Total Fees for statutory auditors</b>                          | <b>119,742</b> | <b>127,738</b> |

#### 4.6. Ongoing litigation and legal proceedings

As of the date of preparation of the annual Financial Statements for the year ended 30 June 2020, the Company is engaged in various legal disputes and proceedings.

- (i) There is a dispute between *La Française de l'Energie* and Entrepouse Drilling SAS concerning the drilling services and other services charged by the latter for the drilling campaign at the Lachambre site. The Company considers that the deficiencies in the drilling equipment used by Entrepouse Drilling did not allow to meet the objectives set for this drilling, and that said deficiencies delayed the drilling campaign, resulting in significant harm thereto, which harm warranted the suspension of payment of the last invoices for said drilling. Entrepouse Drilling disputes this position and has initiated a procedure to obtain payment of these invoices, as well as compensation for the termination of the contract signed with *La Française de l'Energie*. The total amount requested was €3,041K, excluding taxes. The Company disputed this fact, blaming the termination of this contract on Entrepouse Drilling itself. On 08 September 2017, the Paris Commercial Court, in a summary ruling, ordered the Company to pay Entrepouse Drilling the sum of €984K, excluding taxes, a decision which was carried out.

Entrepouse Drilling has initiated a dispute on the merits before the Paris Commercial Court for the invoices the payment of which was rejected in the Court's summary ruling, concerning a €2,067K balance in invoices, excluding taxes. *La Française de l'Energie*, on the other hand, filed a counterclaim for compensation for damages due to deficiencies in the drilling services provided by Entrepouse Drilling and the abusive termination by the latter of the contract binding it to the Company. In this context, *La Française de l'Energie* filed the summary conclusions with the Paris Commercial Court on 21 February 2019, with the Company demanding an amount of €6,337K as well as the return of the sums already paid under the original contract (*i.e.* €1,184K, including taxes, paid in execution of the interim order of 08 September 2017 and €1,381K paid for invoices under the voided contract).

To this date, the proceedings are still ongoing in the Paris Commercial Court. Entrepouse Drilling's liability insurer, HDI Global SE, has challenged LFDE's briefs, in part through an expert's report prepared by the Erget firm. In December 2019, the Company took



Entrepose Group, the Entrepose Drilling's parent company, to court as a third party. Entrepose Drilling's summary briefs were filed at the procedural hearing on 20 February 2020. A procedural hearing was held on 10 September 2020 to set a timetable for the proceedings.

- (ii) There is a dispute between *La Française de l'Energie* and the Compagnie Financière de Saint Roch which, in 2017, claimed an additional payment of €300K for services provided as part of the Company's June 2016 IPO, the latter being contested. This application was rejected by the Company due to the entire amount due under the contract binding it to the Compagnie Financière de Saint Roch having already been settled, in accordance with the terms of said contract.
- However, on 05 October 2017, the Compagnie Financière de Saint Roch launched a legal action in the Paris Commercial Court, now claiming €620K in principal for the services it is referring to, as well as €600K for the loss of several investment opportunities and €50K for damage to its image and for moral damage. The Company rejects all of these claims as completely unfounded contractually, and has filed a €50K counterclaim for compensation for wrongful proceedings.

A judgment handed down by the Paris Commercial Court on 22 February 2019, rejected all of the Compagnie Financière de Saint Roch's claims, as well as *La Française de l'Energie*'s counterclaim for wrongful proceedings.

The Compagnie Financière de Saint Roch filed an appeal before the Paris Court of Appeal on 04 April 2019.

On 07 October 2019, the briefs were filed on behalf of *La Française de l'Energie*, along with twelve exhibits to support these briefs. In a decision rendered by the Court of Appeal of Paris on 15 June 2020, all of the Compagnie Financière de Saint Roch's applications were rejected, and it was ordered to pay LFDE the sum of €5,500 under Article 700 of the Code of Civil Procedure.

- (iii) There is a dispute between *La Française de l'Energie* and the Société Générale, following the Société Générale's non-performance of tasks during the Company's IPO in June 2016. As such, the Company is seeking the reimbursement of a portion of the €1M in fees levied by the Société Générale on the total amount raised. Specifically, *La Française de l'Energie* is seeking a judgment for €531K concerning the Société Générale's remuneration, and for €634K for the reimbursement of expenses incurred solely because of the Société Générale's breaches of its obligations. The opposing party is seeking €50K in damages for wrongful proceedings.

This request was rejected by the judgment of the Paris Commercial Court which, on 27 September 2018, also condemned *La Française de l'Energie* to pay €25K to the Société Générale under Article 700 of the Code of Civil Procedure, a payment that took place during the year 2018.

*La Française de l'Energie* appealed on 30 October 2018, filing its briefs in the Paris Court of Appeal on 31 January 2019. The hearing for oral arguments is scheduled for 30 November 2020; therefore, a decision is expected in early 2021.

#### 4.7. Post-closing events

An amendment to the Shareholder loan was signed on 30 September 2020. While €750K in capital were repaid in this fiscal year, a final repayment of €3,930K, including interests and commissions, was scheduled for 31 December 2020. This amendment extended and specified the repayment conditions

of this Shareholder loan under the following terms, including nominal amount, accrued interests, and additional commissions: first repayment of €2,330K on 31 December 2020, second repayment €1,000K on 30 June 2021, and third repayment of €1,300K on 31 December 2021.