

Pau, September 25, 2024

Arverne Group

- **publishes its results and major achievements over the first half of 2024**
- **confirms the competitiveness of the geothermal lithium production project with the conclusions of the pre-feasibility study (PFS)**
- **updates its assumptions and medium-term goals**

First half 2024 results

- o Gross business volume of €6 million supported by drilling activities and in line with the forecast
- o Fast growing portfolio of geothermal energy production projects by 2gré
- o Completion of the pre-feasibility study (PFS) for Lithium de France: a key step towards the industrialization phase enabling to update the assumptions and the medium-term goals
- o Strategic partnership with Herrenknecht, leading German manufacturer, to create DrillDeep, a subsidiary dedicated to deep drilling
- o Further strengthening of teams

Outlook

- o Confirming of a 2024 gross business volume between €16 million and €18 million, representing growth of 35% to 50% versus 2023
- o Confirming deployment of an investment program of around €50 million for 2024
- o Confirming completion of the pre-feasibility study (PFS)
- o Launching a definitive feasibility study (DFS) in 2025 which will include the front-end engineering design to help define the project financing terms

Pau, September 25, 2024 - Arverne Group (FR001400JWR8 - ARVEN), a French industrial company specialized in the production of renewable underground resources to support the energy transition, announces its financial results for the first half of 2024:

- consolidated revenues of €4.5 million in line with the forecast;
- gross business volume of €6.0 million in line with the forecast, including 50% of the shallow drilling revenues of DrillHeat¹;
- a strong financial position with net cash amounting to €118.2 million;
- major technical advances achieved in the first half of the year:
 - **Completion of the pre-feasibility study (PFS)** on the lithium process, marking a key step towards the launch of the industrial phase of geothermal lithium production,
 - **execution of two new 3D exploration campaigns** in Alsace during summer 2024, positioning the Group as one of the most active players in geophysical data acquisitions in Europe over the past three years;
 - **Ramp-up of the industrial tool capacity** with equipment orders and preparation of the first drilling operations, increase of the drilling rig fleet,
- ongoing Group structuring and strengthening of the teams reaching 167 employees by the end of the period (187 including the 20 DrillHeat employees), representing an increase of 61%.

“The first half of the year saw further major advances for Arverne Group driven by the dedication of all our teams, partners and shareholders, to whom I extend my warmest thanks. Our 3D exploration campaigns have reached an unprecedented scale in our industry. The acquisition of new permits has broadened our scope of action and growth potential. In parallel, we have strengthened and optimized our organizational structure, building up qualified teams. Lithium de France successfully completed its pre-feasibility study (PFS), marking a major step towards the launch of the industrial phase of lithium production with improved visibility. These achievements are not just isolated successes, but solid pillars on which we are building Arverne Group’s future. They provide us with the resources and skills necessary to achieve our ambitions. We are builders, visionaries who are shaping the future of energy.” says Pierre Brossollet, Founder, Chairman and CEO of Arverne Group.

¹ Unconsolidated subsidiary owned at 50% and operated by Arverne Group

H1 2024 highlights

2gré: geothermal potential confirmed

The project identification work carried out by our teams in recent months has enabled us to build up a portfolio of geothermal heat production projects with an estimated potential of over 60 power plants and 3.5 TWh of production.

Project stage	Heat production (GWh/year)
Projects nearing completion	410
Projects in development: pre-feasibility study in progress, negotiation of contractual and commercial terms	1,340
Targeted potential projects: geothermal potential study launched	750
Prospective projects identified: prospect expresses geothermal needs, geothermal potential to be qualified	940

Against a backdrop of rapid market changes and in order to meet customer needs, 2gré's project development strategy has been refined:

- Acceleration, particularly in the Ile-de-France region, a historical development zone for deep geothermal energy, with the Dogger reservoir (1,500 meters deep, 60-80 degrees)
- Increase in production capacity of standard geothermal power plants: the possible addition of a heat pump to boost annual production potential (from 35 GWh to more than 60 GWh), adapt the output temperature to the needs of heating systems and industrial customers, while also meet increased operating hours mandates by the public authorities
- Preparation of the first 3D sub-surface data acquisition in the Auvergne-Rhône-Alpes region for a new geothermal project on the Riom Clermont Ferrand Exclusive Exploration Permit (PER)

Taking these factors into account, along with the significant project portfolio, the first geothermal heat production of is now scheduled for 2026.

To achieve these advances, the teams have been strengthened with the addition of technical experts, geologists, drilling managers and salespeople. As of June 30, 2024, the number of employees has risen to 15.

Serge Guibert, Chief Financial Officer, also joined the Group on July 1, 2024.

Lithium de France: completion the pre-feasibility study that confirms competitive production costs, and positioning the project in the first quartile worldwide

Lithium de France successfully completed its pre-feasibility study (PFS), marking a major step towards the launch of the industrial phase of lithium production.

The results obtained strengthen the group's assumptions, and confirm a new level of due diligence that clarify the feasibility of the project. The costs identified position the project in the first quartile of lithium projects worldwide.

Lithium de France is therefore able to announce strategic technical decisions and update key financial assumptions:

- **choice of product:** decision to produce lithium carbonate (LC), a product better suited to the electric vehicle industry's energy transition goals;
- **choice of extraction technology:** extraction technology (DLE) will be based on "adsorption", with the aim of confirming its performance in 2025 using a pilot plant;
- **lithium production cost:** estimated below €4,500/t of lithium LC and placing the project in the first quartile of the cost curve in terms of cash cost;
- **process efficiency:** 91% of recovery rate;
- **investment and production:** total gross CapEx (excluding subsidy) adjusted to €1,800 million - €1,900 million (including 15% contingency) for the production of 27,000 t/year of lithium (LC) to be reached in 2031;

The company also announces:

- the grant of a new lithium license in Alsace (Les Poteries Minérales) and the submission of two new Exclusive Exploration Permit (PER) applications;
- the completion in summer 2024 of two 3D exploration campaigns (100 km² and 60 km²), bringing the total surface area of imaging data acquired to 310 km² in two years
- the ordering of Long Lead Items to prepare the drilling campaign

The successful completion of this stage enables Lithium de France and its strengthened teams (36 employees, +71% vs. H1 2023) to prepare for the launch of the definitive feasibility study (DFS) at the beginning of 2025.

Scale-up of drilling companies

Arverne Drilling Services and DrillDeep², deep drilling

The drilling business continued to improve its execution capacity, with three projects completed over the period. In order to secure the future operations and accelerate the integration strategy in response to growing drilling needs, a new subsidiary, DrillDeep, was created in March 2024 with the leading German manufacturer Herrenknecht.

The construction of a new state-of-the-art drilling rig is in its final stage, with delivery scheduled for the end of 2024.

As in the other Group divisions, teams have been strengthened, with staff numbers rising from 71 (June 30, 2023) to 98 as of June 30, 2024, particularly to prepare for the drilling campaigns of Lithium de France and 2gré.

DrillHeat³, shallow drilling

The company acquired three new drilling machines in the first half of the year, bringing the total to six. DrillHeat completed 16 projects, drilled more than 26,000 meters and installed 160 geothermal probes for public authorities and commercial buildings.

To keep pace with the ramp-up of operations, the workforce has been increased from 11 (June 30, 2023) to 20 as of June 30, 2024.

Expanded governance: structuring appointments

The Group announces new appointments and forthcoming developments to strengthen its governance:

- **Guillaume Saincaize** joined Arverne Group as Human Resources Director in April 2024.
- **Laurence Guillemot** joined Arverne Group in June 2024 as Head of development of shallow geothermal energy.
- **Frédéric Houssay**, previously a Group Director, has taken on operational duties and was appointed Director of New Business for the Grand Est Region on September 1, 2024.
- **Damien Bevillon**, currently Managing Director of 2gré, will become Exploration and Production Director of Arverne Group on October 1, 2024;
- **Martin Jahan de Lestang** joins the Group on October 1, 2024 as Managing Director of 2gré.

² 74% owned by Arverne Group and 26% by Herrenknecht

³ 50% owned subsidiary operated by Arverne Group

Gross business volume driven by drilling activities

The Group's consolidated revenues totaled €4.5 million with a significant contribution (€4.4 million) from Arverne Drilling Services (ADS). The 20% decline compared to the first half of 2023 was anticipated. It is mainly due to the temporary interruption of a well maintenance campaign earlier in the year that the Group already included in its 2024 targets. The commissioning of a new rig on the second semester will allow the Group to diversify its revenues.

<i>In thousands of euros</i>	H1 2024	H1 2023
Deep drilling (Arverne Drilling Services)	4,369	5,239
Other	116	341
Consolidated revenues	4,485	5,580
Shallow drilling (DrillHeat)	1,550	884
Gross business volume	6,035	6,445

Gross business volume for the period amounted to €6 million. It was primarily driven by DrillHeat which posted non-consolidated revenues of €3.1 million over the period, up 75%.

The main subsidiaries Lithium de France⁴ and 2gré⁵ are still in the investment phase.

Operating results reflecting the implementation of the growth and structuring strategy announced by the Group

The investments made by the Group, recognized under "Other income and expenses" in the amount of €3.4 million, mainly relate to the consolidation of the deep drilling rig fleet (refurbishment, start-up), as well as preparatory investments for the Lithium de France drilling campaign due to start in 2025.

To support this operational ramp-up, the company has strengthened its teams, with average headcount over the period rising to 171 (including 19 at DrillHeat) from 115 in H1 2023. As a result, personnel expenses have doubled to €9.5 million, in line with this increase in headcount and the improvement of the Group's governance (creation of the Executive Committee, the Board of Directors and the strengthening of subsidiary general management). These expenses include €1.9 million relating to the allocation of free shares.

⁴ 62.1% owned by Arverne Group

⁵ Company acquired in March 2023 and wholly owned by Arverne Group

<i>In thousands of euros</i>	H1 2024	H1 2023
Revenues	4,485	5,580
Purchasing and subcontracting	(7,030)	(4,301)
Personnel expenses	(9,388)	(4,850)
Taxes and duties	(171)	(114)
Other income and expenses	3,245	538
Current EBITDA (excl. exceptional items)	(8,859)	(3,145)
Depreciation and provisions	(948)	(905)
Current operating income	(9,807)	(4,051)
Other non-current income and expenses	0	12,600
Operating income	(9,807)	8,550

As a result of this announced investment phase, current EBITDA (excluding exceptional items) amounts to an €8.9 million loss compared to a €3.1 million loss in H1 2023.

The Group posted a net loss of €9.6 million, including €2.6 million financial income generated by the investment of surplus cash and a €2.1 million impairment write-down on the current account with subsidiary DrillHeat.

<i>In thousands of euros</i>	H1 2024	H1 2023
Operating income/(loss)	(9,807)	8,550
Financial income and expenses	2,608	1,230
Share of equity-accounted companies	(2,125)	0
Income and similar taxes	(224)	(520)
Net income/(loss)	(9,548)	9,261
<i>of which Group share</i>	(8,427)	10,374
<i>of which minority interests</i>	(1,122)	(1,113)

It is reminded that H1 2023 net income of €9.3 million was positively impacted by the recognition of a €6.5 million goodwill gain on the acquisition of 2gré and proceeds of €6.9 million from the sale of Arverne Drilling shares.

Growth in fixed assets

In line with its plan, the Group continued to roll out its investment strategy in the first half of the year:

- the development of Exclusive Exploration Permits (PER) in geothermal energy for 2gré and projects combining geothermal energy and geothermal lithium production for Lithium de France, representing an investment of €3.7 million over the period,
- the development of drilling capacities and Group structuring, representing an investment of €8.1 million over the period.

Fixed assets (property, plant and equipment and intangible assets) thus increased by €10 million from €58.6 million at December 30, 2023 to €68.5 million at June 30, 2024.

Gross cash at the end of the period amounts to €136.8 million.

Robust financial structure

The company's financial structure is solid with shareholders' equity reaching €170.4 million at 6/30/2024 vs. €178.4 million at 12/31/2023, and a limited level of gross debt (€18.6 million). The increase in debt (€6.8 million compared to 12/31/2023) is mainly due to the acquisition of the company's headquarters through a real estate lease agreement.

The net cash position shows a large surplus of €118.2 million, enabling the Group to continue implementing the investment plan announced.

Annual targets for 2024

Confirming gross business volume between €16 million and €18 million, up 35-50% versus 2023, mainly driven by the expansion of the drilling rig fleet which has enabled the Group to diversify its customer portfolio and carry out new projects, including Aéroports de Paris in the second half of 2024

Confirming deployment of an investment program of around €50 million including three exploration campaigns and the delivery of a drilling rig scheduled for the second half of 2024

Confirming completion of the pre-feasibility study (PFS), a key milestone with results that enable the announcement of major technical decisions (choice of product, extraction process), confirmation of key financial data (overall investment, recovery rate efficiency, extraction cost) with a competitive production cost

Filing of a new drilling permit application and finalization of two applications for filing in H1 2025

Update of medium-term goals in light of the results of the pre-feasibility study (PFS)

Given the technical orientations and the revised techno-economic assumptions following the completion of the PFS, the Group updates its medium-term goals⁶ and details its timeline for the upcoming development phasis, in an improved visibility context.

- 2024-2031:** Confirmation of total gross investment program of €2,400 million, including €500 million⁷ borne by 2gré and between €1.800 million and €1,900 million⁸ by Lithium de France
- 2026:** First geothermal energy production by 2gré
- 2028:** First geothermal lithium production by Lithium de France
Consolidated revenues between €180 million and €220 million
Current EBITDA margin of around 40%⁹
- 2031:** Annual production capacity for 2gré to reach 1.8 TWh of geothermal heat
Annual production capacity for Lithium de France to reach 27 kt of lithium (LC) and 2.2 TWh of geothermal heat
Consolidated revenues between €900 million and €1,000 million
Current EBITDA margin of around 70%

Arverne Group expects the definitive feasibility study (DFS) for Lithium de France to be launched beginning of 2025. This study will be carried out over an estimated period of 12 to 18 months.

This stage, that will include the pre-project engineering of the industrial facilities and the geothermal lithium resources estimation after the first wells, will serve as a basis to define the terms of the project financing with the banks and shareholders. The DFS could lead to a reassessment of the ambitions.

Next publication: March 26, 2025, FY 2024 results

⁶ Before results of definitive feasibility study (DFS)

⁷ Before subsidies

⁸ Before subsidies, and including 15% contingency

⁹ EBITDA margin incorporating a majority "intra-group" contribution of €15 million from drilling activities following the adjustment to the development schedule resulting from the PFS

About Arverne Group

Arverne Group specializes in harnessing underground resources to transform them into environmentally friendly, local and renewable energy, contributing to the prosperity of local communities. As an integrated industrial player, Arverne Group spans the entire underground value chain, from exploration to drilling and production to sales to end-users. Arverne Group aims to become the French leader in geothermal energy and its by-products, including low-carbon geothermal lithium. Founded in Pau in 2018, Arverne Group has structured its business activities around several subsidiaries, notably 2gré (sale of geothermal heat), Lithium de France (geothermal heat and extraction and sale of geothermal lithium) and Arverne Drilling Services (drilling operations).

A mission-driven company, Arverne Group is listed on the professional segment of Euronext Paris and is part of the Tech Leaders segment of Euronext Paris (ISIN FR001400JWR8, symbol ARVEN).

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Consolidated income statement

<i>In thousands of euros</i>	6/30/2024	6/30/2023
	6 months	6 months
Revenues	4,485	5,580
Other operating income	177	171
Capitalized production	3,396	940
Purchases consumed	(717)	(311)
External expenses	(6,313)	(3,990)
Personnel expenses	(9,388)	(4,850)
Taxes and duties	(171)	(114)
Other operating expenses	(328)	(573)
Current EBITDA (excl.exceptional items)	(8,859)	(3,147)
Depreciation and amortization	(948)	(905)
Current operating income	(9,807)	(4,052)
Other non-current operating income	0	13,435
Other non-current operating expenses	0	(835)
Operating income	(9,807)	8,550
Income from cash and cash equivalents	2,587	0
Gross cost of financial debt	(220)	(490)
Net cost of financial debt	2,367	(490)
Other financial income	273	1,780
Other financial expenses	(32)	(60)
Share of net income of equity-accounted companies	(2,125)	0
Income before tax	(9,325)	9,780
Income tax	(224)	(520)
Total net income/(loss)	(9,548)	9,261
Share of net income of equity-accounted companies	(1,122)	(1,113)
Net income/(loss) - Group share	(8,426)	10,374
Net income/(loss) - non-controlling interests	(1,122)	(1,113)
Earnings per share (€)	(0.21)	0.68

Balance sheet assets

<i>In thousands of euros</i>	6/30/2024	12/31/2023
Intangible assets	41,934	39,192
Tangible assets	26,558	19,445
Deferred tax assets	3,165	3,448
Total non-current assets	71,658	62,085
Inventories	1,192	413
Trade and other receivables	3,408	2,710
Other current assets	9,152	13,661
Cash and cash equivalents	136,800	143,229
Total current assets	150,551	160,012
Total assets	222,209	222,097

Balance sheet liabilities

<i>In thousands of euros</i>	6/30/2024	12/31/2023
Capital and share premium	194,302	194,302
Other reserves	22,646	21,621
Accumulated results	(60,257)	(51,831)
Shareholders' equity - Group share	156,690	164,092
Non-controlling interests	13,710	14,346
Total shareholders' equity	170,400	178,438
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Borrowings and financial debt - non-current	16,919	10,322
Other provisions	1,896	1,214
Deferred tax liabilities	5,697	5,465
Other non-current liabilities	3,280	3,437
Total non-current liabilities	27,792	20,438
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Borrowings and financial debt - current	8,741	9,117
Other provisions	929	992
Trade payables	4,171	3,746
Other current liabilities	10,176	9,366
Total current liabilities	24,017	23,221
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Total liabilities	222,209	222,097

Cash flow statement

<i>In thousands of euros, IFRS</i>	H1 2024	H1 2023
Net income/(loss)	(9,548)	9,261
Depreciation, amortization and provisions net of reversals	1,149	809
Badwill	0	(6,496)
Other changes	4,074	(5,784)
Cash flow from operations	(4,326)	(2,210)
Change in inventories	(71)	
Changes in trade and other receivables	(642)	(950)
Change in trade and other payables	612	2,865
Change in other current receivables/payables	3,165	(2,236)
Total change	3,064	(321)
Tax paid	(423)	166
Net cash flow from operating activities	(1,685)	(2,366)
Net acquisition of fixed assets	(5,496)	(816)
Capitalized development expenditure	(2,739)	(1,327)
Other changes	(1,008)	3,565
Net cash flow from investing activities	(9,243)	1,422
Capital increases	520	19,323
New borrowings	5,565	15,000
Repayment of borrowings	(1,512)	(6,754)
Other changes	(72)	
Net cash flow from financing activities	4,501	27,569
Change in cash and cash equivalents	(6,428)	26,625
Cash and cash equivalents as of January 1	143,227	3,165
Cash and cash equivalents as of June 30	136,800	29,789

Disclaimer

This press release contains forward-looking statements. These statements provide no guarantee of the Company's future performance. They relate to the Company's future prospects, developments and marketing strategy and are based on analyses of earnings forecasts and estimates of amounts not yet determinable. Forward-looking statements are subject to a variety of risks and uncertainties, in particular those described in the Universal Registration Document, as they relate to future events and are dependent on circumstances that may or may not materialize in the future. Forward-looking statements cannot, under any circumstance, be construed as a guarantee of the Company's future performance; the Company's actual financial position, results and cash flow, as well as the trends in the sector in which the Company operates, may differ materially from those proposed or reflected in the forward-looking statements contained in this press release. Even if the Company's financial position, results, cash flows and developments in the sector in which the Company operates were to conform to the forward-looking statements contained in this press release, such results or developments cannot be construed as a reliable indication of the Company's future results or developments.

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