

4 May 2023

SOUND ENERGY PLC
("Sound Energy", "Sound" or the "Company")

FINAL RESULTS

Sound Energy, the transition energy company, announces its audited final results for the year ended 31 December 2022.

HIGHLIGHTS

Development of the Moroccan Tendirara Production Concession

- Phase 1 Micro LNG project
 - Signing of the Notice to Proceed in February 2022
 - Drawdown of the Loan Note subscription with Afriquia Gaz commenced in February 2022
 - Site preparation activities at the Tendirara TE-5 Horst commenced in March 2022
 - Main civil work (LNG tank foundations) done and checked in early 2023
 - Despite the disruptive events occurred in 2022 which delayed the activities, engineering and manufacturing are both progressing
 - Phase 1 LNG delivery scheduled to commence in 2024
- Phase 2 Gas (pipeline) development
 - Announced Gazudoc-Mahgreb Europe ("GME") pipeline interconnection agreement with ONHYM in March 2022

Project financing

- Appointed Attijariwafa Bank, Morocco's largest bank, as exclusive lead arranger for the senior debt financing, in June 2022
- The Company launched a process to seek a funding partner in both the Tendirara Production Concession and in the underexplored but prospective surrounding exploration permits in the Tendirara basin.
- Indications of interest from several parties were received by year end and the Company is continuing negotiations.

Exploration

- Extension of Sidi Moktar and Anoual exploration permits by a further year (subject to ministerial approval)
- Entry into the first complementary period on the Grand Tendirara exploration permits (subject to ministerial approval)
- Identification and high grading of three potential near term subsalt drilling opportunities where, importantly, any future discoveries have the potential to be commercialised through the planned infrastructure of Phase 2

Corporate

- Successful equity raise of £4 million (before expenses) in June 2022
- Post period end, the Company has entered into a full and final settlement of its tax disputes with the Moroccan tax authorities, subject to the Court agreeing that all cases be withdrawn

Graham Lyon, Executive Chairman said:

"2022 was a year of real tangible progress for Sound Energy, with the micro-LNG development at Tendirara contracted to deliver maiden revenues in early 2024. I am pleased that, as we move further into construction activities, the Company continues to uphold all our ESG values and deliver our work in a manner commensurate with our principles. We are pleased to have settled our outstanding tax matters such that we can optimise our resources on field development. We have enjoyed a supportive working relationship with ONHYM, the Ministry and our various contractors in Morocco, and, most importantly, we continue to benefit from the hard work and dedication of our own staff. We will continue to work diligently to deliver value and progress for all our stakeholders during 2023 and beyond as we target to deliver material developments."

For further information, visit www.soundenergyplc.com or follow us on twitter @soundenergyplc

This announcement contains inside information.

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Sound Energy
Graham Lyon, Executive Chairman

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STATEMENT OF THE EXECUTIVE CHAIRMAN

Introduction

2022 was a ground breaking year for the Company both literally and figuratively as Sound Energy continued the transition from being a pure exploration company to a development and production company. In March, groundworks began on Phase 1, our micro-LNG project at the Tendirara production concession in Morocco. We also made material progress on Phase 2, the further development of the concession via a pipeline, primarily on the financing side. Despite a challenging and rapidly-changing global political and economic backdrop, the Company was able to successfully deliver a number of milestones in moving towards becoming a revenue generating company. All exploration licences were either extended or advanced into the first Complementary Period. The ongoing dispute with the Moroccan authorities over tax continued to be an unhelpful drain on the Company's time and resources; and, post period end, the Company entered into a settlement agreement with Morocco tax authority on a phased payment schedule of approximately US\$2.5 million as a full and final settlement against a claim of approximately US\$23.95 million.

2023 will be an important year, which I hope will see further progress. Irrespective of the challenges we may face, the team remains fully dedicated to delivering its project activities and growing the Company as we seek to create material value for the Company's shareholders.

In February 2022, the Notice to Proceed for our Phase 1 project was issued, and work commenced. Material progress at site has been made and there is a more detailed commentary in the operational review. We are pleased that the Company is moving forward to becoming a revenue generating company.

Progress on the Group's Phase 2 Tendirara Concession development planning comprising of a Central Processing Facility (CPF), a pipeline and several development wells, has been made throughout the year. In March, the Company announced the pipeline interconnection agreement with ONHYM (Office National des Hydrocarbures et des Mines) to enable the tie-in of the future gas export pipeline to the GME gas pipeline, a key remaining condition of the binding, but conditional, gas sale and purchase agreement with ONEE (Office National de l'Electricite et de l'Eau potable). Additionally, in June, the Company announced the appointment of Attijariwafa Bank, Morocco's largest bank, as the exclusive lead arranger of a senior debt financing of up to approximately \$250 million for Phase 2. The bank is now undertaking detailed due diligence and we expect the parties will enter into a Conditioned Financing Offer term sheet in the near future. Both ONEE and Attijariwafa work hand in hand with Sound to ensure the prime target of delivering local gas to local power stations becomes a reality. As such, all have agreed to work to conclude documentation by mid-2023.

In December, we were pleased to report that ONHYM had extended a number of our Moroccan licences, all subject to Ministry approval. First, the Grand Tendirara Exploration Permits are continued by two years to 1 October 2024 and will involve the drilling of one exploration well with a Triassic objective, this being entry into the First Complementary Period. The Anoual exploration permits has been extended by 12 months and will also involve the drilling of one exploration well with a Triassic objective. Finally, the Sidi Moktar exploration permit has been granted a 12-month extension to 9 October 2023. We are delighted that the Moroccan authorities remain so supportive of our work programmes and await Ministerial formal approval.

As part of our wider efforts to bring funding into our plans for Phase 2, we announced, in August, that we had initiated a formal process to identify a partner for the Tendirara Production Concession and the surrounding Grand Tendirara and Anoual exploration permits.

The objective of the area-wide approach is to seek a co-investing partner in each licence, to both fund the expected balance of Phase 2 development costs to first gas of c.US\$60 million net to the Company's working interest in the Tendirara Production Concession and to progress an exploration and appraisal drilling programme in the Grand Tendirara and Anoual exploration permit areas.

Following strong levels of interest in this process, from a wide range of credible and well-funded parties, the Company received quantified non-binding indications of interest from several parties and, following review, the Company is progressing negotiations. Whilst there is no guarantee that a partner will be selected, it is hoped that such a transaction can be concluded alongside the debt funding for Phase 2 development.

Corporate

Early in 2022 the Company reviewed the opportunity to create an enlarged group with Angus Energy to focus on high margin, onshore gas in stable fiscal environments. On detailed evaluation the opportunity did not meet the criteria required for Sound Energy and the opportunity was not further pursued.

In June, we successfully raised £4 million through an equity issue, which was priced at 2 pence per share, with the funds earmarked for pre-development work on the Tendirara Phase 2 pipeline to FID, new ventures activities and corporate G&A.

The Company performed its first stakeholder review, setting a benchmark in early 2022 with a follow up undertaken at year end 2022. The Company strategy is well recognised amongst Stakeholders, and stakeholder feedback that the team are considered to be performing well whilst facing technical, commercial, and resourcing challenges.

Stakeholder meetings and Investor sessions were held; it was a pleasure to meet so many knowledgeable and passionate shareholders face to face and engage in meaningful dialogue.

ESG sits at the heart of our business and, as Operations commenced, we have monitored and taken immediate

action at any slight safety issue. Our environmental releases are recorded and monitored. Corporate Governance is maintained at all levels. Finally, we engage with our local communities and have taken steps to not only employ but keep all stakeholders in Morocco well informed regarding our activities.

The Company continues to manage its financial resources prudently whilst undertaking several substantial activities. The bridge to fund the company until first revenues is always under review and the mix of various cash sources explored, such as debt/equity funding for projects and potential partnering.

Moroccan tax dispute

In July, a Moroccan tribunal rejected Sound Energy Morocco East's (SEME) claim to overturn the previous decision of a Moroccan local tax committee to seek a tax payment of approximately US\$ 2.55 million relating to a purported historical sale of an exploration permit. The Company received the written judgement late in the year and submitted an appeal within the allotted timeframe. The Company continues to believe the tax authority has mis-interpreted licensing law in Morocco.

In a separate case, Sound Energy Morocco SARL AU (SARL AU) received notice that the Local Taxation Committee supported the Tax Authorities' assumption of a sale of assets, although the Committee did not present a full calculation of the amounts it purports to be due on the taxable base amounts it has now upheld. However, Sound Energy estimated that taxes on those taxable bases would amount to, approximately, US\$ 21.4 million (previously reported as US\$19.7 million for half-year reporting but was unaudited. Following the year-end audit, the estimate was revised to US\$21.4 million). As previously announced, the Company remains of the strong opinion that the assessments levied against SARL AU, that certain purported historical intra Group transactions between SARL AU and SEME have taxable bases, have been wrongly interpreted by the Moroccan Tax Administration.

Post period end, the Company entered into a settlement agreement with Morocco tax authority on a phased payment schedule back ended over 6 years of approximately US\$2.5 million as a full and final settlement against a claim of approximately US\$23.95 million.

Board

During 2022, the Board continued to meet regularly and contribute to strategy and problem solving for the company. A review of the Board's effectiveness was conducted, the first in several years. Learnings and improvements were identified and will be included in the Board's 2023 activities.

Graham Lyon

Executive Chairman

Portfolio Review

A blended portfolio of gas assets

Eastern Morocco

Tendrara Production Concession

Permit Area

Located proximate to Gazoduc Maghreb Europe ("GME") pipeline, approximately 120 kilometres to the North. The 522 kilometre-long Moroccan section is owned by the Moroccan State and operated by ONHYM. The pipeline connects Morocco to Spanish/Portuguese gas grids as well as Moroccan gas-fired power stations.

Geology

The gas is trapped within the Triassic TAGI¹ reservoir within the structural fault block, termed the TE-5 Horst, and sealed by the overlying Triassic salt. Reservoir characteristics are significantly enhanced by application of proven hydraulic stimulation techniques to increase gas flow rates.

Ongoing and Planned Developments

Potential capacity to address local gas demand in a phased manner with Phase I being the implementation of a micro-LNG development scheme (currently underway) and Phase II being the development of a larger scale central processing facility ("CPF") and gas export pipeline to GME.

Phase 1

Supply of LNG displacing higher carbon energy (such as heavy fuel, petcoke or imported LPG)

Phase 1 Micro LNG Development - Funding arranged to meet Sound Energy's share of sanctioned pre first gas development costs

Deployment of field gas treatment, processing, liquefaction and storage facilities to deliver mobile LNG to buyer at site. The LNG buyer will distribute and sell on to its growing Moroccan industrial consumers within the domestic gas market.

Supplies of LNG are to be an annual contractual quantity equivalent to approximately 100 million standard cubic metres of gas (approximately 3.5 billion standard cubic feet of gas per year) over a ten-year period.

Binding gas sales agreement and associated funding are in place with Afrikaia Gaz, one of the largest LPG distributors in Morocco. A ten-year commitment from first gas to sell annual contractual quantity of 100 million standard cubic metres per annum with take or pay agreement priced at \$6-\$8.346 per mmbTU ex plant.

Development utilises the existing wells TE-6 and TE-7, with the drilling of one new well, as required, to maintain the ten-year period of production at the plateau.

LNG Central Processing Facility is under construction by Italfiuid

Micro LNG Plant to be designed, constructed, commissioned, operated and maintained by Italfiuid with guarantees for plant operability and delivery.

Lease structure (with option to buy):

- Minimal LNG tank construction capital payments at FID, and following successful completion of Micro LNG Plant commissioning (including production build-up)
- Leasing solution substantially lowers capital investment requirements of Phase 1 development
- Daily rental payment paid to Italfiuid on guaranteed daily volume only
- Performance guarantees on plant availability

Phase 2

Gas as a transition fuel flowing to the GME pipeline

Phase 2 Tendrara TE-5 Development

20 inch, 120km Tendrara Gas Export Pipeline ("TGEP"):

- Tie-in to existing GME pipeline (Station M04), approved by the new operator ONHYM, which took over the GME operatorship at the end of Q4 2021.
- Pipeline EIA permit approved and pipeline corridor fully secured. Lease agreements signed with the landowners and the first lease payments are scheduled for first half of 2023.
- CPF EIA permit approved
- EPC Consortium selection process launched in 2022 and ongoing discussion with bidders
- Gas Sales Agreement ("GSA") with ONEE (Office National de l'Electricite et de l'Eau potable) signed November 2021 for domestic power plants for gas-to-power generation (transit via GME line), minimum volume of 0.3 bcm/year (approximately 10.5 billion standard cubic feet of gas per year) at a fixed sale price over a ten-year term.
- Up to six horizontal wells planned to achieve First Gas (Phase 2)
- Exclusive partnership with Attijariwafabank (which is one of the top banks in Morocco and in Africa and which is part of the King's holding MADA) acting as Lead Debt Arranger in order to fund a substantial part of Phase 2 project. Technical and Legal Due Diligence ongoing.
- Different options to close out equity raise are currently discussed with financial investors and Vendors.

Exploration

Greater Tendrara - two Triassic TAGI¹ discoveries

Licence Details

Area	14,411 km ²
Status	Petroleum Agreement: Exploration
Effective date	1 October 2018
Term	8 years
Resource Potential	Exploration potential in the Triassic TAGI reservoir of 7.52 Tcf gross/5.64 Tcf net (arithmetic sum of mid-case un-risked GIIP) identified in sub-salt concepts, leads and prospects.

Permit Area

Surrounds the Tendrara Production Concession.

Located for access to Gazoduc Maghreb Europe ("GME") pipeline approximately 120 kilometres to the north. The 522 kilometres long Moroccan section is owned and operated by the Moroccan State. The pipeline connects Morocco to the Spanish/Portuguese gas grids as well as the Moroccan gas-fired-power stations.

Geology

Only eight wells drilled across the entire area, all encountered evidence of a petroleum system. The primary reservoir is the Triassic TAGI¹ charged from Palaeozoic petroleum source rocks and sealed by the overlying Triassic salt, which is present across much of the basin. This petroleum play is regionally extensive and extends into Morocco from Algeria.

Two Triassic TAGI¹ gas discoveries exist within the permit area:

- SBK-1 tested by the previous licence holder at a peak rate of 4.41 mmscf/d in July 2000
- TE-10 flowed gas at non-commercial rates in May 2019

Exploration potential in the Triassic TAGI¹ reservoir of 7.52 Tcf gross/5.64 Tcf net (mid-case un-risked GIIP) identified in sub-salt concepts, leads and prospects.

Future Developments

A number of targets are available for near-term drilling with two features, the SBK structure and the TE-4 Horst, high-graded for drilling. Both these structures were drilled by SBK-1 and TE-4, in 2000 and 2006, respectively, and both encountered gas shows in the TAGI¹ reservoir. SBK-1 flowed gas to surface during testing in 2000 at a peak rate of 4.41 mmscf/d post acidification but was not tested with hydraulic stimulation. TE-4 was tested in 2006 but did not flow gas to the surface. Hydraulic stimulation has proven to be a key technology to commercially unlock the potential of the TAGI gas reservoir in the TE-5 Horst gas accumulation and, accordingly, the Company believes this offers potential to unlock commerciality elsewhere in the basin.

The gross exploration potential of these high-graded structures, expressed as GIIP, are as follows:

Target name	Unrisked Volume Potential Gas Initially in Place (Bcf)				Chance of Success
	Low	Best	High	Mean	
TE-4 Horst Structure	153	260	408	273	36%
SBK-1 Structure	71	130	225	140	50%

A discovery in either structure would have the potential to be commercialised through the proposed development infrastructure centred on the TE-5 Horst, with sufficient capacity in the planned Tendrara Export Pipeline or as standalone mLNG projects.

Subject to approval by the Ministry of Energy and Ministry of Finance, the Company has elected to enter the voluntary first Complementary period, which commenced mid-October 2022 with one well commitment to be drilled before October 2024. A well drilled on either the SBK structure or the TE-4 Horst would satisfy this commitment.

Annual

Licence Details

Area	8,873 km ²
Status	Petroleum Agreement: Exploration
Effective date	8 September 2017
Term	10 years
Resource Potential	Exploration potential in the Triassic TAGI reservoir of 11.51 Tcf gross/8.63 Tcf net (mid-case un-risked GIIP ²) identified in sub-salt concepts, leads and prospects

Permit Area

Located for access to Gazoduc Maghreb Europe ("GME") pipeline approximately 120 kilometres to the North. The 522 kilometre-long Moroccan section is owned and operated by the Moroccan State. The pipeline connects Morocco to the Spanish/Portuguese gas grids as well as the Moroccan gas-fired power stations.

Geology

Only one well drilled across the entire area. The primary reservoir is the Triassic TAGI¹ charged from Palaeozoic petroleum source rocks and sealed by the overlying Triassic salt, which is present across much of the basin. This petroleum play is regionally extensive and extends into Morocco from Algeria.

Committed geophysical surveying completed with a single well commitment remaining.

Exploration potential in the Triassic TAGI¹ reservoir of 11.51 Tcf gross/8.63 Tcf net (mid-case un-risked GIIP²) identified in sub-salt concepts, leads and prospects.

Future Developments

"M5" prospect high graded for drilling a TAGI¹ target, operational planning is progressing. The Company's estimation of the gross exploration potential of the M5 exploration prospect, a possible candidate for the exploration well, expressed in GIIP, is as follows:

Target name	Unrisked Volume Potential Gas Initially In Place (Bcf) Gross (100%) basis				Chance of Success
	Low	Best	High	Mean	
M5 Exploration	332	800	1728	943	21%

¹ Trias Argilo-Gréseux Inférieur ("TAGI") are sandstones deposited in a fluvial-alluvial environment and are significant oil and gas reservoirs across Algeria, extending into Morocco

² Internal exploration potential estimates, arithmetical sum of mid-case un-risked Gas Initially In Place ("GIIP")

Sidi Mokhtar

Licence Details

Area	4,712 km ²
Status	Petroleum Agreement: Exploration
Effective date	April 2018
Term	10 years
Resource Potential	Unrisked exploration potential of 8.9 Tcf mid-case un-risked GIIP following interpretation of the historical 2D seismic

Permit Area

The permit is in which Sound Energy has a 75% interest is located onshore on the Atlantic seaboard of Morocco, approximately 100 kilometres to the west of Marrakech.

In July 2017, the Company reported the results of the re-entry, completion, perforation and flow testing of the existing Koba-1 well, with a focus on previously producing relatively shallow gas reservoir.

Strategically, the Company has shifted its focus on the Sidi Mokhtar area towards what it believes to be the potentially more significant opportunity of the deeper Triassic TAGI² and Palaeozoic gas plays in the region already demonstrated by the gas and condensate producing adjacent Meskala Field operated by our partner ONHYM. In June 2018, the Company was awarded a new eight-year Petroleum Agreement and is now actively seeking a partner to participate in a geophysical survey programme focused on these deeper objectives.

In December 2020, the Company announced a further one-year extension to the initial period of the Sidi Mokhtar licence and that the work programme for the initial period of the Sidi Mokhtar permit remained unchanged.

Geology

Un-risked exploration potential of up to 8.9 Tcf¹ gross gas initially in place following interpretation of the historical 2D seismic. The Company believes the pre-salt plays have been overlooked in the region with limited drilling to specifically target these deeper successions.

The sub-salt plays are underexplored with more than 60 historical exploration wells focused on shallower objectives in the Jurassic post-salt carbonate successions. The few historical sub-salt tests were drilled on poor sub-salt seismic imaging. Recent improvements in seismic acquisition and processing technologies are expected to provide enhanced imaging of the sub-salt structure and geology.

Future Developments

Our next step is to mature the identified leads to drillable prospects with improved seismic imaging. We aim to acquire new, high-quality 2D seismic data, focused on improving the sub-salt imaging. This work is hoped to lead to an exploration well targeting a high-impact gas prospect.

¹ Internal exploration potential estimates, arithmetical sum of mid-case un-risked Gas Initially In Place (gross)

² Trias Argilo-Gréseux Inférieur ("TAGI") are sandstones deposited in a fluvial-alluvial environment and are significant oil and gas reservoirs across Algeria, extending into Morocco

LNG Project Review

Sound Energy is a pioneer in Morocco in establishing an onshore small scale LNG solution to provide LNG to a local market in Africa and to assist the Moroccan industry in reducing usage of more polluting fuels and reducing CO₂ emissions.

The mLNG project is a complex project that involves three main parties:

- Afriquia Gaz, which is the LNG offtaker and is in charge of LNG logistics from the Tendirara gas field to all its customers located in Morocco (mainly in the western part of Morocco, whereas the Tendirara field is in Eastern Morocco)
- Italfiuid GeoEnergy (Italfiuid), which is Sound Energy's partner in charge of the construction and maintenance of the gas processing and liquefaction plant through a lease arrangement;
- Sound Energy and its Concession partners including ONHYM, which are in charge of financing the delivery of the raw gas gathering system, the upgrade of the current wells ready to produce (TE6 and TE7), and the drilling of a new well T-112 to be done post first gas production

All the main agreements were signed in 2021 and are in place to enable the project to be implemented. On behalf of the Concession partners, Sound Energy released the Notice to Proceed to Italfiuid on 15th February 2022.

Progress in 2022

Italfiuid mobilised its staff to start the civil work on site and levelled up the land on which the plant will be located. In the meantime, they started the engineering specifics, and the work on the main equipment packages required to be manufactured by its subcontractors.

Despite some challenges encountered since the issue of the Notice to Proceed, including market volatility due to the war in Ukraine, which has been disruptive in achieving a reliable schedule and firm costs from the supply chain subcontractors, Sound Energy and both of its partners, successfully, managed to progress project activities on site and to start the manufacturing of several elements. The foundations of the LNG tank, which is the most complicated part of the civil work on site, are now complete, and have been checked by the subcontractor in charge of the erection of the LNG tank, which is another key part of the mLNG plant construction project. Project schedule is reviewed constantly and remains challenging. Delivery of a commissioned plant by Italfiuid is contracted for Q1 2024.

The first pieces of equipment were delivered on site and are being assembled. The main elements of the firefighting system have been put in place in the field. The detailed engineering is still progressing to allow Italfiuid to continue procuring remaining different packages required for commissioning the plant. Some delays have, nevertheless, been noted on the date for first gas production but Italfiuid, Sound Energy and Afriquia Gaz are working together, cooperatively, to supply LNG to the local industry in 2024 in an efficient manner without neglecting safety issues.

Sound Energy have deployed an HSSE supervisor on site to closely monitor the work to ensure it is done in compliance with the best safe practice.

Sound Energy started the detailed engineering work related to the gas gathering system and the upgrade operation on wells TE6 and TE7. The work to upgrade the access road and to bring an alternate source of power supply from the grid, using the construction of the self-powered generation solution using raw gas production, are ongoing.

2023 is a key year when all the equipment packages are to be completed and tested in the workshops and later be brought from workshops located around the world (USA, Asia, etc.), delivered on site through the main ports in Morocco (Casablanca, Tanger or Nador) and assembled on site before being all tested. Sound Energy expects to face some challenges of different nature (for example, administrative approval of equipment testing by local authorities given that this project is the 1st LNG project in Morocco, delays in the supply chain due to the disruptive events which occurred in 2022, cost increase which can impact our main contractor and its subcontractors and risk of delay on the offtake side), which are usual for projects in which an international chain of suppliers is involved, but remain confident that the three partners Afriquia Gaz, SoundEnergy and Italfiuid should make significant progress in 2023.

Consequently, provided that no new disruptive events slow down progress, and the final industrial users are ready to make their process switch from their current fuel to natural gas, LNG plant commissioning and the full solution commissioning including the well and gas gathering system and Afriquia Gaz logistic solution, are both expected to be started in 2024.

Financial review

Income Statement

The profit for the year before tax from continuing operations was £6.6 million (2021: £2.4 million). Reversal of impairment of development assets of £5.7 million (2021: £4.0 million impairment reversal), related to the TE-5 Horst production concession, arose following the results of an impairment test, which indicated that previously recognised impairment charge should be reversed. The discount rate and forecast gas price are significant estimated inputs used by the Company to determine the recoverable amount when undertaking impairment testing of the Company's TE-5 Horst concession. The Company has taken account of changes in the wider financial markets during 2022 and has, accordingly, revised the discount rate from 10% at the end of 2021 to 12.5% as at 31 December 2022. The Company previously used forecast gas price indexed to the Brent price for pricing the forecasted uncontracted gas sales volumes for impairment testing. Following significant changes in market conditions during the year, the Company concluded that an average of forecast gas price referenced to the Title Transfer Facility ("TTF") in the Netherlands and the UK National Balancing Point ("NBP") price is more representative of the conditions in the gas market than an indexation to the Brent price.

Accordingly, the Company used an average of TTF and NBP forecast gas price for its impairment testing as at 31 December 2022.

Administrative costs at £3.1 million were higher than 2021 administration costs (£1.7 million). During 2022, there were awards of nil cost options of approximately £0.5 million in settlement of 2020 and 2021 staff bonuses, and the issue of shares of approximately £0.3 million in settlement of a one-time bonus to a member of staff. Due to the Company being in a largely continuous closed period during 2020 and 2021, the issue of shares and awards of the nil cost

being in a largely committed period during 2022 and 2023, the issue of share awards and share options could not be done during that period. During 2022, the Company adopted a new Long-term Incentive Plan (LTIP) designed to reward, incentivise and retain the Company's executives and senior management to deliver sustainable growth for shareholders. Approximately £0.2 million of the administrative costs related to the LTIP expense incurred during 2022. The remainder of the increase in administrative costs reflects increased operational activities, including the taking of FID on Phase 1 Micro-LNG in February 2022 and pre-FID activities on the Phase 2 gas project.

Foreign exchange gains primarily related to intra-Group loans, which were partially offset by exchange losses in US dollar and Euro-denominated borrowings. Foreign exchange gains and losses arising from intercompany loans that originated on acquisition of Moroccan licences are recognised in the other comprehensive income section of the statement of comprehensive income.

Cash Flow/Financing

During 2022, an equity issuance raised approximately £3.7 million (2021: £2.0 million) net of issue costs. Drawdowns from the Company's loan note facility with Afrikaia Gaz amounted to \$9.5 million (£7.2 million).

Financing costs were £1.4 million (2021: £2.3 million), primarily due to the amortised costs of the Euro denominated loan notes and the US dollar Afrikaia loan note facility drawdowns, net of interest capitalised to the development and exploration licences of £0.1 million (2021: £0.1 million). The decline in finance costs arose due to full-year impact of the 2021 restructuring of the Company's Eurobond, which inter alia extended the maturity of the loan notes to 21 December 2027 and amended the coupon structure from a 5% cash coupon per annum to a 2% cash coupon per annum together with a deferred 3% per annum coupon, payable at maturity.

The Group spent £6.2 million (2021: £1.2 million) on investing activities during 2022. The primary spend related to approximately £4.3 million paid in advance in respect of the Group's Micro-LNG project. The balance of spend consisted of expenditure on the Group's Morocco licences and capitalised general and administrative expenses.

Balance Sheet

As at 31 December 2022, the carrying amount of property, plant and equipment was £163.4 million (2021: £139.7 million), primarily related to the development and production assets in Morocco with a carried value of £163.1 million (2021: £139.6 million) after taking account of impairment reversal, additions and foreign exchange movement.

Intangible assets, with a carrying amount of £36.0 million (2021: £31.6 million), primarily relates to the Group's investment in its exploration licences in Morocco. Additions of £0.8 million intangible assets primarily consisted of capitalised general and administrative expenses and £3.6 million foreign exchange movement recognised.

As part of the 2018 Italy divestment agreement, the Company is entitled to receive the proceeds, upon the sale, of land associated with the former Badile onshore exploration permit ("Badile land"). The Company has a carrying amount of, approximately, £0.6 million (2021: £0.7 million) as interest in Badile land. The Company expects the sale of the remaining area of Badile land to be completed during 2023 for gross proceeds of €350,000 and the Company's obligation for the Badile land remediation, with a carrying amount of £0.4 million (2021: £0.4 million) will terminate upon the sale as it will be taken over by the buyer of the Badile land.

Non-current prepayments of £4.3 million relate to the Group's Phase 1 mLNG project.

Other receivables, amounting to £2.8 million (2021: £0.9 million), primarily related to receivables from our partners in Morocco licences and recoverable VAT in Morocco.

Trade and other payables amounting to £1.9 million (2021: £1.5 million), primarily related to payables and accruals for the operations in the Group's licences in Morocco, where the Group, as operator, recognises 100% of the liability and receives funds from partners to pay the partners' share.

During 2022, the Company issued 219,518,767 shares of which 200,00,000 were issued for cash and 19,518,767 were non-cash share issues. The primary non-cash share issue related to 13,419,891 shares issued as one-time bonus to the Chief Operating Officer following the delivery of all elements required to take FID for Phase 1 of the Concession and for establishing the commercial framework for monetisation of Phase 2 of the Concession.

Post period end in May 2023, the Company entered into a phase payment schedule with Morocco tax authority for full and final settlement of the tax cases for approximately £1.6 million (£0.1m current liability and £1.5m non current liability).

Going Concern

As detailed in note 1 to the financial statements, the Company's cash flow forecasts, for the next twelve-month period to May 2024, indicate that additional funding will be required to enable the Company to continue to meet its obligations. This condition indicates the existence of a material uncertainty on the Company's ability to continue as a going concern.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	Notes	2022 £'000s	2021 £'000s
Continuing operations			
Revenue		-	-
Other income	3	43	223
Reversal of impairment on development assets and exploration costs		5,678	4,024
Gross profit		5,721	4,247
Administrative expenses		(3,175)	(1,695)
Group operating profit from continuing operations		2,546	2,552
Finance revenue		13	4
Foreign exchange gain		5,462	2,210
Finance expense	11	(1,446)	(2,306)
Profit for the year before taxation		6,575	2,460
Tax expense	4	(1,602)	(42)
Profit for the year after taxation		4,973	2,418

Other comprehensive income

Items that may subsequently be reclassified to the profit and loss account

Foreign currency translation gain		13,373	1,179
Total comprehensive profit for the year		18,346	3,597
Profit for the year attributable to:			
Owners of the Company		18,346	3,597

	Notes	2022 Pence	2021 Pence
Basic and diluted profit per share for the year attributable to the equity shareholders of the parent (pence)	5	0.28	0.16

Consolidated Balance Sheet

as at 31 December 2022

	Notes	2022 £'000s	2021 £'000s
Non-current assets			
Property, plant and equipment	6	163,362	139,666
Intangible assets	7	36,007	31,598
Prepayments	8	4,272	-
Interest in Badile land		637	663
		204,278	171,927
Current assets			
Inventories		963	871
Other receivables		2,815	852
Prepayments		139	31
Cash and short-term deposits		3,861	2,913
		7,778	4,667
Total assets		212,056	176,594
Current liabilities			
Trade and other payables		1,868	1,500
Tax liabilities	4	126	-
Lease liabilities		162	-
Loans and borrowings	11	1,121	-
		3,277	1,500
Non-current liabilities			
Lease liabilities		121	-
Tax liabilities	4	1,505	-
Loans and borrowings	11	29,068	20,039
		30,694	20,039
Total liabilities		33,971	21,539
Net assets		178,085	155,055
Capital and reserves			
Share capital and share premium		38,621	34,573
Shares to be issued		404	-
Accumulated surplus		129,004	123,872
Warrant reserve		1,607	1,534
Foreign currency reserve		8,449	(4,924)
Total equity		178,085	155,055

Group Statements of Changes in Equity

for the year ended 31 December 2022

	Notes	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Accumulated surplus £'000s	Warrant reserve £'000s	Foreign currency reserves £'000s	Total equity £'000s
At 1 January 2022		16,292	18,281	-	123,872	1,534	(4,924)	155,055
Total profit for the year		-	-	-	4,973	-	-	4,973
Other comprehensive income		-	-	-	-	-	13,373	13,373
Total comprehensive income		-	-	-	4,973	-	13,373	18,346
Issue of share capital	9	2,195	2,246	-	-	-	-	4,441
Share issue costs		-	(393)	-	-	-	-	(393)
Fair value of warrants issued during the year		-	-	-	-	73	-	73
Vested nil options bonus awards		-	-	404	-	-	-	404
Share-based payments	10	-	-	-	159	-	-	159
At 31 December 2022		18,487	20,134	404	129,004	1,607	8,449	178,085

	Notes	Share capital £'000s	Share premium £'000s	Accumulated surplus £'000s	Warrant reserve £'000s	Foreign currency reserves £'000s	Total equity £'000s
At 1 January 2021		13,262	16,278	117,334	4,090	(6,103)	144,861
Total profit for the year		-	-	2,418	-	-	2,418
Other comprehensive income		-	-	-	-	1,179	1,179
Total comprehensive income		-	-	2,418	-	1,179	3,597
Issue of share capital	9	3,030	2,004	-	-	-	5,034
Share issue costs		-	(1)	-	-	-	(1)
Fair value of warrants issued during the year	11	-	-	-	1,534	-	1,534
Reclassification on expiry of warrants		-	-	4,090	(4,090)	-	-
Share-based payments	10	-	-	30	-	-	30
At 31 December 2021		16,292	18,281	123,872	1,534	(4,924)	155,055

Group Statement of Cash Flows
for the year ended 31 December 2022

	Notes	2022 £'000s	2021 £'000s
Cash flow from operating activities			
Cash flow from operations		(3,928)	(1,513)
Interest received		13	4
Tax paid		(7)	(42)
Net cash flow from operating activities		(3,922)	(1,551)
Cash flow from investing activities			
Capital expenditure		(1,519)	(959)
Exploration expenditure		(399)	(454)
Prepayment for Phase 1 the mLNG project		(4,272)	-
Receipt from interest in Badile land		-	218
Net cash flow from investing activities		(6,190)	(1,195)
Cash flow from financing activities			
Net proceeds from equity issue		3,680	2,000
Loan drawdown	11	7,233	-
Interest payments	11	(431)	(878)
Lease payments		(58)	(31)
Net cash flow from financing activities		10,424	1,091
Net increase/(decrease) in cash and cash equivalents		312	(1,655)
Net foreign exchange difference		636	100
Cash and cash equivalents at the beginning of the year		2,913	4,468
Cash and cash equivalents at the end of the year		3,861	2,913

Note to Statement of Cash Flows
for the year ended 31 December 2022

	2022 £'000s	2021 £'000s
Cash flow from operations reconciliation		
Profit for the year before tax	6,575	2,460
Finance revenue	(13)	(4)
(increase)/decrease in drilling inventories	(92)	41
(Increase)/decrease in receivables and prepayments	(2,071)	511
Increase/(decrease) in accruals and short-term payables	190	(841)
Reversal of impairment on development assets and exploration costs	(5,678)	(4,024)
Impairment of interest in Badile land	107	50
Depreciation	101	168
Share-based payments charge and remuneration paid in shares	969	30
Finance costs and exchange adjustments	(4,016)	96
Cash flow from operations	(3,928)	(1,513)

Non-cash transactions during the period included the issue of 17,901,146 ordinary shares, to members of staff and former employees of the Company in settlement of vested Restricted Stock Units (RSU) awards, a one-time bonus to one member of staff, and vested nil cost options. 1,617,621 ordinary shares were issued to third parties in settlement of £25,000 due for services provided.

The Group has provided collateral of \$2.5 million (2021: \$1.75 million) to the Moroccan Ministry of Petroleum to guarantee the Group's minimum work programme obligations for the Anoual, Greater Tendirra and Sidi Mokhtar licences. The cash is held in a bank account under the control of the Company and, as the Group expects the funds to be released as soon as the commitment is fulfilled, on this basis, the amount remains included within cash and cash equivalents.

Notes to the Financial Statements
for the year ended 31 December 2022

1 Accounting Policies

Sound Energy plc is a public limited Company registered and domiciled in England and Wales under the Companies Act 2006. The Company's registered office is 20 St Dunstan's Hill, London EC3R 8HL.

The consolidated financial information contained within this announcement does not constitute statutory accounts for the year ended 31 December 2021 within the meaning of Section 434 of the Companies Act 2006 but is derived from those audited accounts. The auditors reported on those accounts and their report was unqualified and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies in due course. The annual report and statutory accounts will be sent to shareholders and will be made available to the public on the Company's website: www.soundenergyplc.com or, upon request, copies may be obtained from the Company Secretary at the registered office of Sound Energy plc 20 St Dunstan's Hill, London, EC3R 8HL.

(a) Basis of preparation

The financial statements of the Group and its parent Company have been prepared in accordance with UK-adopted International Accounting Standards.

The consolidated financial statements have been prepared under the historical cost convention, except to the extent that the following policies require fair value adjustments. The Group and its parent Company's financial statements are presented in sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these consolidated financial statements and by all Group entities, unless otherwise stated. All amounts classified as current are expected to be settled/recovered in less than 12 months unless otherwise stated in the notes to these financial statements.

The Group and its parent Company's financial statements for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 3 May 2023.

Going concern

As at 31 March 2023, the Group's cash balance was £2.6 million (including approximately £2.0 million held as collateral for a bank guarantee against licence commitments). The Directors have reviewed the Company's cash flow forecasts for the next 12-month period to May 2024. The Company's forecasts and projections indicate that, to fulfil its other obligations, the Company will require additional funding. The Company commenced its Phase 1 of the Concession upon taking FID on the micro-LNG project, and has continued to actively monitor the project schedule, costs and financing. The Company is progressing Phase 2, pipeline led development of the Concession, and is in the process of arranging financing and other elements necessary to enable the taking of Phase 2 FID. The Company continues to engage with its partner, ONHYM, for payment of approximately £2.1 million for ONHYM's share of expenditure on the Tendrara Production Concession as at 31 December 2022.

The need for additional financing indicates the existence of a material uncertainty, which may cast significant doubt about the Group and Company's ability to continue as a going concern. These financial statements do not include adjustments that would be required if the Company was unable to continue as a going concern. The Company continues to exercise rigorous cost control to conserve cash resources, and the Directors believe that there are several corporate funding options available to the Company, including a farm-down on some of the Company's licences, various debt funding options together with settlement of the outstanding Tendrara Production Concession receivable balance from ONHYM. Furthermore, based upon the Company's proven success in raising capital in the London equity market, and based on feedback from ongoing financing discussions, the Directors have a reasonable expectation that the Company and the Group will be able to secure the funding required to continue in operational existence for the foreseeable future, and have made a judgement that the Group will continue to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the Directors have adopted the going concern basis in preparing the consolidated financial statements.

Use of estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation and assumptions

The key sources of estimation uncertainty, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are the impairment of intangible exploration and evaluation ("E&E") assets, impairment of development and production assets, investments, warrants, taxation and the estimation of share-based payment costs.

E&E, development and production assets

When considering whether E&E assets are impaired, the Group first considers the IFRS 6 indicators set out in note 11. The making of this assessment involves judgement concerning the Group's future plans and current technical and legal assessments. In considering whether development and production assets are impaired, the Group considers various impairment indicators and whether any of these indicates existence of an impairment. If those indicators are met, a full impairment test is performed.

Impairment test

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset and chooses a suitable discount rate to calculate the present value of those cash flows. In undertaking these value in use calculations, management is required to make use of estimates and assumptions similar to those described in the treatment of E&E assets above. Further details are given in note 7.

At 31 December 2022, the Company's market capitalisation was £16.2 million, which is below the Group and Company's net asset value of £179.8 million and £168.4 million, respectively. Management considers this to be a possible indication of impairment of the Group and Company's assets. A significant portion of the Group's net assets is the carrying value of the development and producing assets and disclosures relating to management's assessment of impairment for these assets and the investment in subsidiaries are included in note 6, on the basis that the

recoverability of the investment in subsidiaries in the Company balance sheet is linked to the value of the development and producing assets as, ultimately, the cash flows these generate will determine the subsidiaries' ability to pay returns to the Company.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model ("DCF model"). The cash flows are derived from the latest budgets, expenditure and price data in signed gas sales agreements (for contracted gas sales volumes), market based price data (for uncontracted gas sales volumes), project contract or agreed heads of terms, and the latest management plans on project phasing. The recoverable amount is sensitive to the discount rate and gas price assumption as well as the Brent price assumption that impacts condensate sales pricing in the DCF model. The carrying amount of the development and production assets and parent Company investment in subsidiaries increased by approximately £5.1 million following a reversal of impairment during the year. The key assumptions used to determine the recoverable amount of the development and production assets are disclosed in note 6.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen, and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the continuing participation of key employees (note 10).

Fair value of warrants

Significant judgement and estimation is also required in the determination of the fair value of warrants.

Taxation

The Group seeks professional tax and legal advice to make a judgement on application of tax rules on underlying transactions within the Group or with third parties. Tax treatment adopted by the Group may be challenged by tax authorities. In 2020, the Morocco tax authority informed the Group that it intended to claim taxes on historical acquisition of licences in Eastern Morocco by the Group. The Group continues to believe that the Morocco tax authority has misunderstood or misinterpreted the underlying transactions and appealed against the assessment. The matter is in Court. In May 2021, the Group received notification from the Morocco tax authority of its intention to assess additional VAT and withholding taxes on historical transactions of the Company's subsidiary entity, Sound Energy Morocco SARL AU. The Group appealed the assessment. [Subsequent to period end, a settlement on the tax cases was agreed upon as disclosed in note 4.]

Intercompany loans

The Company has funded its subsidiaries through non-interest bearing loans payable on demand. Given that the Company has no intention to call in the loans in the foreseeable future, the loans are classified as non-current investments. Other source of estimate concern IFRS 9 on intercompany loans at parent Company level but is not considered likely subject to material change in the coming 12 months.

(b) Investments in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Such power, generally but not exclusively, accompanies a shareholding of more than one-half of the voting rights. The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs of acquisition are expensed during the period they are incurred.

(c) Foreign currency translation

The functional currency of the Company is GBP sterling. The Group also has subsidiaries whose functional currencies are US dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year, unless this is not a reasonable approximation of the rates on the transaction dates. The resulting exchange differences are recognised in other comprehensive income and held in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

2 Segment Information

The Group categorises its operations into three business segments based on corporate, exploration and appraisal, and development and production.

In the year ended 31 December 2022, the Group's development, exploration and appraisal activities were primarily carried out in Morocco.

The Group's reportable segments are based on internal reports about components of the Group, which are regularly reviewed and used by the Board of Directors, being the Chief Operating Decision Maker ("CODM"), for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance.

Details regarding each of the operations of each reportable segments are included in the following tables.

Segment results for the year ended 31 December 2022:

	Corporate £'000s	Development and production £'000s	Exploration and appraisal £'000s	Total £'000s
Other income	-	-	43	43
Reversal of impairment of development assets and exploration				

costs	-	5,678	-	5,678
Administration expenses	(3,175)	-	-	(3,175)
Operating profit/(loss) segment result	(3,175)	5,678	43	2,546
Interest receivable	13	-	-	13
Finance costs and exchange adjustments	4,016	-	-	4,016
Profit/(loss) for the period before taxation from continuing operations	854	5,678	43	6,575

The segments assets and liabilities at 31 December 2022 is as follows:

	Corporate £'000s	Development and production £'000s	Exploration and appraisal £'000s	Total £'000s
Non-current assets	944	167,346	35,988	204,278
Current assets	4,224	2,141	1,413	7,778
Liabilities attributable to continuing operations	(23,024)	(8,301)	(2,646)	(33,971)

The geographical split of non-current assets is as follows:

	Europe £'000s	Morocco £'000s
Development and production assets	-	163,074
Interest in Badile land	637	-
Fixtures, fittings and office equipment	5	9
Right of use assets	274	-
Software	-	19
Prepayments	-	4,272
Exploration and evaluation assets	-	35,988
Total	916	203,362

Segment results for the year ended 31 December 2021 were as follows:

	Corporate £'000s	Development and production £'000s	Exploration and appraisal £'000s	Total £'000s
Other income	-	-	223	223
Reversal of impairment of development assets and exploration costs	-	4,024	-	4,024
Administration expenses	(1,695)	-	-	(1,695)
Operating profit/(loss) segment result	(1,695)	4,024	223	2,552
Interest receivable	4	-	-	4
Finance costs and exchange adjustments	(96)	-	-	(96)
Profit/(loss) for the period before taxation from continuing operations	(1,787)	4,024	223	2,460

The segments assets and liabilities at 31 December 2021 were as follows:

	Corporate £'000s	Development and production £'000s	Exploration and appraisal £'000s	Total £'000s
Non-current assets	701	139,628	31,598	171,927
Current assets	3,097	244	1,326	4,667
Liabilities attributable to continuing operations	(20,669)	(94)	(776)	(21,539)

The geographical split of non-current assets were as follows:

	Europe £'000s	Morocco £'000s
Development and production assets	-	139,628
Interest in Badile land	663	-
Fixtures, fittings and office equipment	5	33
Exploration and evaluation assets	-	31,598
Total	668	171,259

3 Other Income

	2022 £'000s	2021 £'000s
Research and development expenditure credit	43	223

During the year, the Company's subsidiaries received credit under the HMRC's Research and Development Expenditure Credit (RDEC) scheme for qualifying activities undertaken in prior years.

4 Taxation

(a) Analysis of the tax charge for the year:

	2022 £'000s	2021 £'000s
Current tax		
UK corporation tax	-	-
Adjustment to tax expense in respect of prior years	(7)	(42)
Tax cases settlement (overseas tax)	(1,595)	-
Total current tax (charge)/credit	(1,602)	(42)
Deferred tax credit arising in the current year	-	-
Total tax (charge)/credit	(1,602)	(42)

(b) Reconciliation of tax charge

	2022 £'000s	2021 £'000s
Profit before tax	6,575	2,460
Tax (charge)/credit charged at UK corporation tax rate of 19% (2021: 19%)	(1,249)	(467)
Tax effect of:		
Expenses not deductible for tax purposes	(49)	(38)
Settlement of tax cases	(1,595)	-
Temporary differences not recognised	1,276	451

temporary differences not recognised	1,210	12
Differences in overseas tax rates	15	
Total tax (charge)/credit	(1,602)	(42)

Deferred tax assets have not been recognised in respect of tax losses available due to the uncertainty of the utilisation of those assets. Unrecognised tax losses as at 31 December 2022 were estimated to be approximately £8.8 million (2021: £6.1 million).

In September 2022, Sound Energy Morocco SARL AU ("SARL AU") a wholly owned subsidiary of Sound Energy Morocco East Limited ("SEME") received findings of the Local Tax Committee ("LTC") that upheld the tax authority's intended assessment of approximately \$21.4 million (excluding penalties and interest that may be levied) relating to the fiscal years 2016 and 2017. The Group, having taken legal and tax advice, continues to believe that the assessment arises from a misunderstanding of the historical licence relinquishment and intercompany funding arrangements and has appealed to the Court where the case is progressing.

On a separate tax case, in December 2022, SEME was notified of the judgement by the Court indicating that SEME's demand for the annulment of the LTC finding was rejected. The LTC had upheld the tax authority's claim of tax liabilities of approximately \$2.5 million (excluding penalties and interests that may be levied), relating to the fiscal years 2016 to 2018, alleging that there was a disposal of assets by SEME to its partner, Schlumberger, on entry to a brand-new petroleum agreement for exploration at Grand Tendirara. In January 2023, SEME appealed against the judgement and the case is progressing in Court.

Post period end, in May 2023, the Company entered into a phased payment schedule with Morocco tax authority for full and final settlement of the tax cases for undiscounted amount of approximately \$2.45m (£2.0m). The discounted amount is approximately \$1.97 (£1.63m) with a current liability of approximately \$152k (£126k) and non current liability of approximately \$1.82m (£1.5m). The tax settlement is subject to the Court agreeing that the cases can be withdrawn.

5 Profit/(loss) per Share

The calculation of basic profit/(loss) per ordinary share is based on the profit/(loss) after tax and on the weighted average number of ordinary shares in issue during the year. The calculation of diluted profit/(loss) per share is based on profit/(loss) after tax on the weighted average number of ordinary shares in issue, plus the weighted average number of shares that would be issued if dilutive options, RSUs and warrants were converted into shares. Basic and diluted profit/(loss) per share is calculated as follows:

	2022 £'000s	2021 £'000s
Profit for the year after taxation	4,973	2,418

	2022 Million	2021 Million
Basic weighted average shares in issue	1,752	1,494
Dilutive potential ordinary shares	7	1
Diluted weighted average number of shares	1,759	1,495

	2022 Pence	2021 Pence
Basic profit per share	0.28	0.16
Diluted profit per share	0.28	0.16

Dilutive potential ordinary shares included in the calculation of diluted weighted average number of shares relates to nil options granted during the year. LTIP options awards and warrants totalling 138.8 million (2021: 105 million) were all anti-dilutive and were not included in the calculation of diluted weighted average number of shares.

6 Property, Plant and Equipment

	Development and production assets £'000s	Fixtures, fittings and office equipment £'000s	Right-of-use assets £'000s	2022 £'000s
Cost				
At 1 January 2022	144,735	626	-	145,361
Additions	1,597	4	331	1,932
Disposal	-	(3)	-	(3)
Exchange adjustments	16,742	29	-	16,771
At 31 December 2022	163,074	656	331	164,061
Impairment and depreciation				
At 1 January 2022	5,107	588	-	5,695
(Reversal)/charge for period	(5,678)	30	57	(5,591)
Disposal	-	(2)	-	(2)
Exchange adjustments	571	26	-	597
At 31 December 2022	-	642	57	699
Net book amount	163,074	14	274	163,362

	Development and production assets £'000s	Fixtures, fittings and office equipment £'000s	Right-of-use assets £'000s	2021 £'000s
Cost				
At 1 January 2021	142,447	778	150	143,375
Additions	997	-	-	997
Disposal	-	(155)	(150)	(305)
Exchange adjustments	1,291	3	-	1,294
At 31 December 2021	144,735	626	-	145,361

Impairment and depreciation				
At 1 January 2021	9,204	665	119	9,988
(Reversal)/charge for period	(4,024)	77	31	(3,916)
Disposal	-	(155)	(150)	(305)
Exchange adjustments	(73)	1	-	(72)
At 31 December 2021	5,107	588	-	5,695
Net book amount	139,628	38	-	139,666

Change in estimate

The discount rate and forecast gas price are significant estimates used by the Company to determine the recoverable amount when undertaking impairment testing of the Company's TE-5 Horst concession. The Company has taken account of changes in the market conditions during 2022 and has, accordingly, revised the discount rate to 12.5% as at 31 December 2022 (2021: 10%). The Company previously used forecast gas price indexed to the Brent price for pricing the forecast uncontracted gas sales volumes. Following significant changes in market conditions during the year, the Company concluded that an average forecast gas price referenced to the Title Transfer Facility ("TTF") in the Netherlands and the UK National Balancing Point ("NBP") is more representative of the conditions in the gas market instead of indexation to the Brent price. Accordingly, the Company used an average of TTF and NBP forecast gas price for its impairment testing as at 31 December 2022.

The Company's market capitalisation was £16.2 million as at 31 December 2022, which is below the Group's net assets of

£179.7 million and the Company's net assets of £168.4 million. An impairment indicator therefore exists. The Company is pursuing a micro-LNG development (phase 1) followed by full field development (phase 2) of its TE-5 Horst concession at the Group's Tendrara licence and an impairment test was undertaken on the carrying amount of the TE-5 Horst concession. The Company used a DCF model ("Model") to calculate the recoverable amount for the Company's share of the TE-5 Horst concession. The Model has an NPV of \$207.9 million (£171.8 million) which when compared to the carrying amount of the development expenditure of £163.1 million indicated that no impairment was required and as a result a reversal of previously recognised impairment of approximately £5.7 million was made.

The Model covers the period 2023 to 2049. The input to the Model included a discount rate of 12.5% and phase 1 gas price of \$8.0 per mmBTU rising to the phase 1 gas price ceiling of \$8.346 per mmBTU, indexed using a combination of the TTF and United States Henry Hub benchmark indexes. Phase 2 gas price used is a fixed price for the first 10 years for annual volume of 0.3 bcm and the price for uncontracted volumes referenced to an average forecast price of TTF and NBP with price range of \$37.05 per mmBTU in 2023 and \$17.41 per mmBTU in 2033, increasing at 2% per annum thereafter, consistent with published sources. The base gas prices used are consistent with LNG GSA for the Phase 1 development and Phase 2 gas price is based on GSA signed with ONEE for the first ten years. The production volumes data was based on the 2018 CPR for TE-5 Horst.

The well cost assumptions used were based on management's past experience; mLNG plant leasing costs were based on contract with the micro-LNG plant contractor; and pipeline related costs were based on Head of Terms entered into with a consortium of partners that had offered to provide a build, own, operate and transfer ("BOOT") solution for the Phase 2 of the development. The Company's latest forecast covered the period to 2027, but the model extends to 2049, as that is the period required to produce the gas resources at TE-5 Horst concession and the economic cut-off. A change in the discount rate by 1% has a \$22.4 million (£18.5 million) impact on the NPV and change in average TTF and NBP forecast gas price by \$1/bbl has a \$9.4 million (£7.8 million) impact on the NPV.

7 Intangibles

	Software £'000s	Exploration & Evaluation Assets £'000s	2022 £'000s
Cost			
At 1 January 2022	352	42,204	42,556
Additions	23	813	836
Exchange adjustments	-	3,577	3,577
At 31 December 2022	375	46,594	46,969
Impairment and depreciation			
At the start of the year	352	10,606	10,958
Charge for the year	14	-	14
Exchange adjustments	(10)	-	(10)
At 31 December 2022	356	10,606	10,962
Net book amount	19	35,988	36,007

	Software £'000s	Exploration & Evaluation Assets £'000s	2021 £'000s
Cost			
At 1 January 2021	349	41,203	41,552
Additions	-	698	698
Exchange adjustments	3	303	306
At 31 December 2021	352	42,204	42,556
Impairment and depreciation			
At the start of the year	289	10,606	10,895
Charge for the year	60	-	60
Exchange adjustments	3	-	3
At 31 December 2021	352	10,606	10,958
Net book amount	-	31,598	31,598

Exploration and evaluation assets

Details regarding the geography of the Group's E&E assets is contained in note 2. The Directors assess for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. In making this assessment, the Directors have regard to the facts and circumstances noted in

recoverable amount. In making this assessment, the Directors have regard to the facts and circumstances noted in IFRS 6 paragraph 20. In performing their assessment of each of these factors, at 31 December 2022, the Directors have:

- reviewed the time period that the Group has the right to explore the area and noted no instances of expiration, or licences that are expected to expire in the near future and not be renewed;
- determined that further E&E expenditure is either budgeted or planned for all licences;
- not decided to discontinue exploration activity due to there being a lack of quantifiable mineral resource; and
- not identified any instances where sufficient data exists to indicate that there are licences where the E&E spend is unlikely to be recovered from successful development or sale.

On the basis of the above assessment, the Directors are not aware of any facts or circumstances that would suggest the carrying amount of the E&E asset may exceed its recoverable amount. During the year, the Group had capitalised interest costs of approximately £0.1 million (2021: £0.1 million).

8 Prepayments

Non-current prepayment of £4.3 million relates to activities of the Company's Phase 1 mLNG Project in the Concession.

9 Capital and Reserves

	2022 Number of shares	£'000s	2021 Number of shares	£'000s
Ordinary shares - 1p	1,848,702,674	18,487	1,629,183,907	16,292

	2022 Number of shares	2021 Number of shares
At 1 January	1,629,183,907	1,326,244,389
Issued during the year for cash	200,000,000	159,731,651
Non-cash share issue	19,518,767	143,207,867
At 31 December	1,848,702,674	1,629,183,907

Non-cash transactions during the period included the issue of 17,901,146 ordinary shares to members of staff and former employees of the Company in settlement of vested Restricted Stock Units (RSU) awards, a one-time bonus to one member of staff, and vested nil cost options. 1,617,621 ordinary shares were issued to third parties in settlement of £25,000 due for services provided.

Share issues

In May 2022, the Company issued 13,419,891 shares as one-time bonus to the Company's Chief Operating Officer following the delivery of all elements required to take FID for Phase 1 of the Concession and for establishing the commercial framework for monetisation of Phase 2 of the Concession.

In May 2022, the Company issued 1,057,211 shares following vesting of historically awarded RSUs to members of staff and former employees of the Company.

In May 2022, the Company issued 1,617,621 shares to third parties in settlement of £25,000 for services provided to the Company.

In June 2022, the Company issued 200,000,000 shares at a price of 2 pence per share following an equity raise.

In June 2022, the Company issued 3,424,044 shares following the exercise of nil cost options by members of staff.

Reserves

In 2018, the Company sought, and was granted, a court order approving a capital reduction following the cancellation of the share premium account. This resulted in the transfer of £277.7 million to distributable reserves.

10 Share-Based Payments

	2022 £'000s	2021 £'000s
Expense arising from equity-settled LTIP and RSU awards	159	30
Bonuses paid in shares and nil cost options	810	-
	969	30

LTIP Awards

During the year, the Company adopted a new long term incentive plan (the "LTIP"), designed to reward, incentivise and retain the Company's Executives and senior management to deliver sustainable growth for shareholders.

The maximum number of awards that may be issued under the LTIP from time to time will be limited to 3% of the Company's issued share capital on the date of grant of awards, and, together, with all other options issued by the Company under any employee share scheme from time to time, will not exceed an aggregate of 15% of the Company's issued ordinary share capital in a rolling ten year period. Awards granted under the LTIP will, generally, be subject to a three-year vesting period from the date of grant, the number of awards, ultimately, vesting dependent on the grantee's continued service and on additional performance conditions set by the Remuneration Committee.

The Company issued 48,875,515 options to subscribe for new ordinary shares under the LTIP, out of which 31,769,085 options were allocated to qualifying Executives and senior management and the balance of 17,106,430 was retained for future allocations. The LTIP awards are exercisable at 2.4 pence per share and expire ten years after the grant.

The fair value of LTIP awards granted was estimated at the date of grant using a Black-Scholes model, taking account of the terms and conditions upon which the awards were granted.

The expected life of the LTIP award is based on the maximum award period and is not necessarily indicative of exercise patterns that may occur. Expected volatility was determined by reference to the historical volatility of the

exercise patterns that may occur expected volatility was determined by reference to the historical volatility of the Company's share price over a five-year period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The valuation assumed an expected life of ten years and used the following additional assumptions for the LTIP awards granted during the year:

- (i) Share price on grant date: 2.53 pence
- (ii) Average risk free interest rate: 1.79%
- (iii) Expected volatility: 99.11%
- (iv) Assumed forfeitures: 0%
- (v) Expected dividends: nil

No other features of the LTIP awards were incorporated into the measurement of fair value. The fair value of the LTIP award granted was 2.26 pence. The remaining contractual life of the LTIP awards outstanding at 31 December 2022 is 9.3 years. If all the 31,769,085 LTIP awards were exercisable immediately, new ordinary shares equal to approximately 1.7% of the shares currently in issue, would be created.

One time bonus and nil-cost options

In May 2022, the Company issued 13,419,891 shares as one-time bonus to a staff member and also granted 20,236,628 nil-cost options to employees in settlement of bonus awards. The nil-cost options vested immediately and expire five years from the date of grant. The nil-cost options were recognised at fair value on grant date by reference to the closing share price of the Company's shares on the trading day prior to the grant of the options.

Share options

All previously outstanding share options expired during the year.

	2022 exercise price Number	Weighted average Pence	2021 Number	Weighted average exercise price Pence
Share options outstanding at the start of the year	5,450,000	66.47	8,950,000	44.93
Share options granted	-	-	-	-
Share options expired	(5,450,000)	66.47	(3,500,000)	22.29
Share options exercised	-	-	-	-
Share options outstanding at the end of the year	-	-	5,450,000	66.47

RSU awards

All RSU awards vested or expired during the year.

	2022 Number	2021 Number
RSU awards outstanding at the start of the year	1,165,400	1,487,765
Granted during the year	-	-
Expired during the year	(108,189)	-
Vested during the year	(1,057,211)	(322,365)
RSU awards outstanding at the end of the year	-	1,165,400

The weighted average share price at the date of vesting of the RSU awards was 2.5 pence (2021: 1.9 pence).

Warrants

As at 31 December 2022, the Company had the following outstanding warrants to subscribe to the Company's ordinary shares.

2022	Exercise price Pence	Expiry date	Number at 1 January	Granted/ (exercised)	Expired	Number at 31 December
2022 Warrants	2.75	13 June 2025	-	7,056,875	-	7,056,875
2021 Warrants	2.75	21 December 2027	99,999,936	-	-	99,999,936
			99,999,936	7,056,875	-	107,056,811

2021	Exercise price Pence	Expiry date	Number at 1 January	Granted/ (exercised)	Expired	Number at 31 December
2016 Warrants	30.00	21 June 2021	52,411,273	-	(52,411,273)	-
2021 Warrants	2.75	21 December 2027	99,999,936	-	-	99,999,936
			152,411,209	-	(52,411,273)	99,999,936

11 Loans and Borrowings

	Secured bonds £'000s	Loan note- Africa £'000s	Total 2022 £'000s	2021 £'000s
Current liabilities				
At 1 January	-	-	-	24,709
Amount converted into ordinary shares of the Company	-	-	-	(3,000)
Fair value of warrants issued	-	-	-	(1,534)
Amortised finance charges	-	-	-	1,564
Interest payments	-	-	-	(389)
Exchange adjustments	-	-	-	(919)
Reclassification from/(to) non-current liability	1,121	-	1,121	(20,431)
At 31 December	1,121	-	1,121	-

Non-current liabilities

At 1 January	20,039	-	20,039	-
Drawdown during the year	-	7,233	7,233	-
Amortised finance charges	1,245	324	1,569	810
Interest payments	(431)	-	(431)	(489)
Exchange adjustments	1,123	656	1,779	(713)
Reclassification (to)/from current liabilities	(1,121)	-	(1,121)	20,431

Reclassification (to) from current liabilities	(1,121)	-	(1,121)	20,039
At 31 December	20,855	8,213	29,068	20,039

The Company has €25.32 million secured bonds (the "Bonds"). The Bonds mature on 21 December 2027. The outstanding principal amount of the Bonds will be partially repaid, at a rate of 5% every six months, commencing on 21 December 2023. Until maturity, the Bonds bear 2% cash interest paid per annum and a 3% deferred interest per annum to be paid at redemption. The Company has the right, at any time until 21 December 2024, to redeem the Bonds in full for 70% of the principal value then outstanding together with any unpaid interest at the date of redemption. The Company issued to the Bondholders 99,999,936 warrants to subscribe for new ordinary shares in the Company at an exercise price of 2.75 pence per share. The warrants expire on 21 December 2027. The Bonds are secured on the issued share capital of Sound Energy Morocco South Limited. After taking account of the terms of the Bonds, the effective interest is approximately 6.2%.

During the year, the Company made drawdowns totaling \$9.5 million from the Company's \$18.0 million 6% secured loan note facility with Afriquia Gaz maturing in December 2033 (the "Loan"). The drawn down principal bears 6% interest per annum payable quarterly, but deferred and capitalised semi-annually, until the second anniversary of entry of the Loan agreement. Thereafter, principal and deferred interest will be repayable, annually, in equal installments commencing December 2028. The Loan is secured on the issued share capital of Sound Energy Meridja Limited. The weighted effective interest of the drawdowns made during the year is, approximately, 6.2%.

Reconciliation of liabilities arising from financing activities

	1 January 2022	Cash flows	Non-cash changes		31 December 2022
	£'000s	£'000s	Amortised finance charges	Exchange adjustments	Office lease entry
			£'000s	£'000s	
Long-term borrowings	20,039	6,802	1,569	1,779	-
Leases	-	(58)	10	-	331
Total liabilities from financing activities	20,039	6,744	1,579	1,779	331
					30,472

	1 January 2021	Cash flows	Non-cash changes		31 December 2021
	£'000s	£'000s	Amortised finance charges	Exchange adjustments	Issue of equity and fair value of warrants
			£'000s	£'000s	
Long-term borrowings	24,709	(878)	2,374	(1,632)	(4,534)
Leases	30	(31)	1	-	-
Total liabilities from financing activities	24,739	(909)	2,375	(1,632)	(4,534)
					20,039

Reconciliation of finance expense

	2022	2021
	£'000s	£'000s
Amortised finance charges	1,569	2,375
Unwinding of discount on lease	10	-
Less capitalised interest	(133)	(69)
Total external interest for the year	1,446	2,306

12 Post Balance Sheet Events

In March 2023, the Company provided an update on progress being made in securing financing for the Company's Phase 2 development of the Concession. Significant progress had been made by the Company's mandated lead finance arranger, who had completed legal and technical due diligence in respect of the proposed financing. Whilst other aspects of pre-financing were continuing, the parties were progressing to detailed financial structuring and had entered a further amendment to the mandate and extended the deadline by which the parties would seek to negotiate binding terms for the proposed financing to 28 April 2023. In April 2023, the Company announced that the lead finance arranger's credit committee consideration had been delayed and was not expected to be held prior to 28 April 2023. With the lead arranger's credit committee consideration of the financing re-scheduled, the parties continue to work in good faith in advancing the financing.

Post period end, in May 2023, the Company entered into a phased payment schedule with Morocco tax authority for full and final settlement of the tax cases for undiscounted amount of approximately \$2.45m (£2.0m). The discounted amount is approximately \$1.97 (£1.63m) with a current liability of approximately \$152k (£126k) and non current liability of approximately \$1.82m (£1.5m) (note 4). The tax settlement is subject to the Court agreeing that the cases can be withdrawn.

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