

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation ("MAR") (EU) No. 596/2014, as incorporated into UK law by the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

14 June 2024

**Sound Energy plc**

("Sound Energy" or the "Company" and together with its subsidiaries the "Group")

**Moroccan Assets: Binding agreement for the sale of share capital of Sound Energy Morocco East Limited**

**Board Change**

Sound Energy (AIM: SOU), the transition energy company, is pleased to announce the entry into a binding Sale and Purchase agreement for the partial divestment of the Company's Moroccan assets (the "SPA") by way of the disposal by the Company of the entire issued share capital of Sound Energy Morocco East Limited ("SEME") to Managem SA ("Managem") for a total value to Sound Energy of up to US\$45.2 million.

**Key Highlights**

- Pursuant to the SPA, Sound Energy will continue to hold an interest of 20% in the Tendirara Production Concession (the "Concession"), and 27.5% working interests in each of the Grand Tendirara Exploration Concession (the "Grand Tendirara Permit") and the Anoual Exploration Permit (the "Anoual Permit" and together with the Grand Tendirara Permit, the "Permits").
- Managem will provide funding for Phase 2 development of the Concession, funding for two exploration wells in satisfying the work programmes under the Permits, a contingent production payment and recovery of past expenditures.
- Sale of the entire share capital of SEME with an effective date of 1 January 2022, pursuant to which Managem will acquire the following interests in the Group's Moroccan assets:
  - 55.0% of the Concession (Sound Energy to retain 20% interest)
  - 47.5% of the Grand Tendirara Permit (Sound Energy to retain 27.5% interest)
  - 47.5% of the Anoual Exploration Permit (Sound Energy to retain 27.5% interest)
- SPA consideration payable to and on behalf of the Group includes:
  - US\$12.0 million in Concession Phase 1 development back costs through to July 2024 net to a 55% interest in the Concession and payable to the Group in cash on completion.
  - US\$1.0 million in back costs in respect of Concession Phase 2 development and Permits back costs payable to the Company in cash on completion.
  - Up to US\$24.5 million net carry through Managem funding of the Group's remaining 20% interest in future Concession Phase 2 development.
  - Contingent consideration of US\$1.5 million payable to the Group no later than one year after first gas from Concession Phase 2 development.
  - US\$3.6 million net carry through funding the Group's remaining 27.5% Grand Tendirara Permit interest in drilling exploration well SBK-1.
  - US\$2.6 million net carry through funding the Group's remaining 27.5% Anoual Permit interest in drilling exploration well M5.

**Background to and further details of the Farm-Out**

The Company announced on 9 August 2022 that it had initiated a formal farm-out process to identify a partner for the Concession and the surrounding Permits. With the Company holding its assets in Morocco through various subsidiaries, the SPA, which remains conditional upon certain conditions precedent, will see the Company dispose of the entire share capital of SEME (the "Sale Shares"), a UK company holding the Operating licence position and equity in Morocco as below, for a sum of US\$1:

- 55.0% of the Concession
- 47.5% of the Grand Tendirara Permit
- 47.5% of the Anoual Permit

Under the SPA, the Company has provided customary warranties and undertakings to Managem and, whilst the terms of the SPA are binding on the parties, the SPA remains conditional upon, *inter alia*:

- Approvals by ONHYM and the Moroccan Minister of Energy of the Company continuing as the Operator of record of the Concession and the Permits notwithstanding the sale of the Sale Shares at completion;
- Antitrust clearances being received;
- Receipt of the written authorisation of the Foreign Exchange Office (Office des Changes) relating to Managem's payment obligations;
- Confirmation in writing by the Seller to the Buyer that no Material Adverse Change has occurred;
- Approval of ONEE of the change of control of the Company pursuant to the ONEE GSA;
- Removal of Sound Energy Morocco SARL AU as dormant subsidiary of SEME;
- Approval by Schlumberger in accordance with the terms of Schlumberger's profit-sharing deed in respect of the Concession or Managem negotiating and entering into an agreement with Schlumberger for the cancellation of the profit-sharing deed;
- Extension of the Start Date/Deemed Start Date as defined in the LNG GSA;
- Delivery of Completion accounts and Assurance Release Conditions; and
- The approval of Managem's board of directors by 12 July 2024.

In the year to 31 December 2023, SEME recorded a Profit before tax of £1,301,000 on no revenues and, at 31 December 2023, had total assets of £56,976,000.

**Commenting, Graham Lyon (Executive Chairman of Sound Energy) said:**

*"We are very pleased to have entered into this binding Share sale to an excellent counterparty Managem SA. The share sale transaction of our UK company subsidiary, the Permits Owner, is structured to allow a smooth transition to Managem whilst bringing Sound Energy two new exciting exploration drills, substantial funding for the phase 2 development and past costs. There is also a production bonus once Phase two gas is delivered".*

**About Managem**

Managem is an international mining group with resolutely African roots, with a presence in 7 countries across the continent. Initially present in metals such as cobalt, copper and zinc, it has since diversified into precious metals, with silver and gold. Today, Managem employs 5,009 people of 22 nationalities in 13 mining operations and 22 industrial units, all on the African continent.

**Board Change**

Following the signature by the Company of the binding SPA between Sound and Managem Simon Ashby-Rudd, a non-executive director of the Company, has informed the Board that he does not intend to put himself forward for re-election as a director of the Company at the Company's AGM to be held on 28 June 2024 ("AGM"). As a result, and with the transaction announced today providing the financial and operational security for the next stage of Sound Energy's development, Simon Ashby-Rudd will step down as a director of the Company at the Company's AGM to pursue other interests.

**Commenting, Graham Lyon (Executive Chairman of Sound Energy) said:**

*"Simon has provided invaluable advice and guidance since his appointment to the Board and throughout the process which has led to today's announcement. I and the rest of the Board thank him for his service to the Company over the last year."*

For further information visit [www.soundenergyplc.com](http://www.soundenergyplc.com) follow on X @soundenergyplc, LinkedIn, or contact:

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