

19 September 2024

SOUND ENERGY PLC

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

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2024

Sound Energy, the transition energy company, announces its unaudited half-year report for the six months ended 30 June 2024.

HIGHLIGHTS

Development of the Moroccan Tendirara Production Concession (the "Concession")

- Phase 1 Micro LNG ("mLNG") project ("Phase 1")
 - Safely completed workover of both wells necessary for first gas,
 - Erected the base and the first layer of mLNG tank shell and initiated the inner tank construction
 - Extensive activity continued offsite with our contractor and its sub-contractors designing and constructing plant equipment for delivery on site end 2024
 - Processed gas expected to be produced at plant in 2025
- Phase 2 Gas (pipeline) development ("Phase 2")
 - Continued progress made for project financing from exclusive lead arranger, Attijariwafa Bank, Morocco's largest bank

Corporate

- In June 2024 entered into a binding sale and purchase agreement with Managem SA, in respect of a partial divestment of the Group's Tendirara Production Concession and Grand Tendirara and Anoual exploration permits, through the sale of the Company's subsidiary, Sound Energy Morocco East Limited (SEME) which holds a net 55% working interest in the Tendirara Production Concession and 47.5% interests in the Grand Tendirara and Anoual exploration permits.
- Post period, entered into a bridge financing debt facility for up to £1.5 million to provide the Group with additional flexibility

Graham Lyon, Executive Chairman said:

"I am grateful for continued support of all our shareholders and partners, and I can say that the first half of 2024 saw the significant milestone of partnering at Tendirara move closer to fruition. Managem are a substantial company with a strong base in Morocco. They bring financing and in-depth local experience. Sound and Managem are working closely to effect a smooth transition of Operatorship control at Tendirara. Whilst the Phase 1 development has been frustrated by delays, equipment, construction and well work has taken place at Tendirara, and a plan for delivery of LNG sales in 2025 established.

"Whilst the first half of the year has been busy with negotiation and agreement of the transaction with Managem, ensuring a smooth transition of operations and progressing Phase 2 towards a final investment decision will ensure the remainder of 2024 will be eventful. The Company will thereafter optimise its portfolio and structure to deliver optimum shareholder value, positioning the Company for production and for further growth. As our key project in Morocco is considered of strategic importance in the country, all efforts must be focused on ensuring a safe and efficient execution of our business plan within the resources available.

"I would like to thank the Ministries in Morocco and ONHYM, our state partner for their continued cooperation and increased support. Finally, a thank you to our staff who have and continue to drive the Company forward."

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

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Sound Energy

Graham Lyon, Executive Chairman

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The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

STATEMENT FROM THE EXECUTIVE CHAIRMAN

Continuing to execute on our strategy to deliver revenue generation

Our strategy of the phased development of the Tendirara gas discovery is well defined and whilst the economic and geopolitical environment continued to present challenges, the Company continues to make progress towards revenue generation.

Phase 1 Tendirara Micro LNG Project (mLNG)

Work has advanced at site. Tank construction remains on the critical path to project delivery, however the base and first layer of the outer tank shell were erected, insulation was laid and further concrete laid to initiate the inner tank construction. Well completion at TE-6 was completed with corrosion resistant tubing and well head installed. Similar work at TE-7 was completed in early September 2024, thereby providing the wells required to meet the required gas delivery capacity.

Italfiuid Geoenergy S.r.l and its sub-contractors continue with the design, construction and installation of plant equipment. The current forecast is for all plant equipment to be on site end 2024. In addition to Italfiuid's project scope of work Sound Energy, through its operating subsidiary Sound Energy Morocco East Limited (SEME), continues to prepare for the installation of the flow lines and ancillary heaters. Afriquia Gaz S.A is to procure and put in place the LNG transportation trucking, local storage and regasification facilities - these are due spring 2025. Once on site, the processing and liquefaction equipment will be commissioned and integrated with the wells, storage, loading and trucking systems. Delays have occurred due to supply chain issues and hence commissioning is scheduled for the second quarter of 2025.

Phase 2 Tendirara Processing and Pipeline Project

Progress continued to be made with the Phase 2 development project in H1 2024, primarily in terms of securing development funding.

Significant progress has been made regarding project funding with Attijariwafa Bank, Morocco's largest bank, as exclusive lead arranger of a senior debt facility, a binding conditioned agreement was entered into in 2023. To address one of the remaining Condition Precedents, discussions with ONEE to adapt the Gas Sales Agreement (GSA) regarding bankability have progressed. The announcement of a binding sale and purchase agreement to sell the UK subsidiary SEME to Managem SA provides the matching equity finance to the Attijariwafa bank debt. Once the sale of SEME is closed, an update to the FEED study is required to satisfy bank financing alongside the GSA and selection of an EPC contractor.

Exploration

During and post period, the Company and ONHYM have proposed extensions to the Annual Exploration Licence to the relevant Ministries and await approval.

Corporate

Following the commencement in 2022 of a process to secure participation of a strategic partner at Tendirara, and the previously announced non-binding term sheet in June 2023, the Company entered a binding Sale and Purchase Agreement (SPA) with Managem SA for the sale of SEME. Managem is a well-established pan-African mining group with a market capitalisation in excess of US\$2.5 billion (April 2024), seeking to diversify its portfolio into upstream gas. Subject to the disclosed conditions precedents being satisfied, the Company will sell 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 SEME's Moroccan assets:

- 55.0% of the Concession (Sound Energy to retain 20% interest, through Sound Energy Meridja Limited), including the liability for payments arising from the Schlumberger net profit interest (NPI) agreement (pursuant to the acquisition of Schlumberger Silk Route Services Limited in 2021)
- 47.5% of the Grand Tendirara Permit (Sound Energy to retain 27.5% interest, through Arran Energy Holdings Limited)
- 47.5% of the Annual Exploration Permit (Sound Energy to retain 27.5% interest, through Arran Energy Holdings Limited)

The SPA consideration payable to or on behalf of the Group includes:

- Estimated 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.

- Estimated US 1.0 million in back costs in respect of Concession Phase 2 development and Exploration 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% Annual Permit interest in drilling exploration well M5.

The combination of closing the transactions with Managem and Attijariwafa Bank will provide the funding required to allow the Company to take the Final Investment Decision on the Phase 2 development and to construct and develop the much-needed pipeline infrastructure at Tendirara.

In light of the agreed sale of SEME to Managem, the Company is required to compare the carrying value of its intangible and development assets with the fair market value (less cost of disposal). The Company determined that an impairment charge totalling £146.2 million was required for both the assets held for sale and the retained assets (refer to notes 4 and 5 of the interim financial statements).

During the half year, 30 million shares were issued as partial conversion of outstanding interest on the convertible loan facility entered into in 2023, followed post period by a further 50 million shares, all at 1 pence per share and accrued interest remaining sits at £ 887,500.

Broker

In March 2024, Zeus Capital Limited was appointed as sole broker and issued a research note in July 2024 initiating its coverage of the Company.

Board Changes

Following the signing the SPA with Managem, and with the transaction providing financial and operational security for the next phase of the Company's development, Mr Simon Ashby-Rudd a non-executive director of the Company, informed the Board that he did not intend to put himself forward for re-election as a director of the Company at the Company's AGM held on 28 June 2024. I thank Simon for his contribution over the year and for his specific M&A advice and support.

Graham Lyon
Chairman (Executive)

OPERATIONS REVIEW

Tendirara Development: Micro LNG (mLNG)

Sound Energy is pursuing the Field Development Plan underpinning the Concession centred around the TE-5 Horst gas discovery. The development is progressing in two phases. Phase 1, targeting industrial consumers for gas sales, is intended to prioritise first cash flows from the Concession via a mLNG production scheme. The planned Phase 2 development provides gas to power via state energy power stations. It is centred around the installation of a 120km gas export pipeline to help fully unlock the gas potential of this region and lower the cost of development for future discoveries. Both phases address different markets in Morocco; the industrial energy user and the state power producer, both of which have strong and growing demand, with Tendirara gas playing an important role in supporting Morocco's strategy to lower carbon emissions. As Morocco continues to grow both industrially and domestically, and as other fuel sources become scarcer in-country, there is opportunity to supply more of the energy mix. Morocco's imports of natural gas from Spain through the GME pipeline rose by a 403% during 2023.

Progress of the Phase 1 Development Project

This first phase focuses on the existing TE-6 and TE-7 wells of the TE-5 Horst. First gas will be achieved by tying the currently suspended TE-6 and TE-7 gas wells with flowlines connected to the inlet of a skid mounted, combined gas processing and mLNG plant.

In 2021, the Company entered into a lease contract with Italfiuid Geoenergy S.r.l. ("Italfiuid") for the design, construction, commissioning, operation, and maintenance of the mLNG facilities under a 10-year lease arrangement. The mLNG facilities, which will also treat and process raw gas produced from the wells prior to liquefaction, is the principal part of the surface facilities required to be built and operated as part of this first phase of development. Also in 2021, the Company entered into a Sale and Purchase Agreement with Afriquia Gaz to offtake the LNG produced. The LNG will be delivered to on-site storage from the outlet of the mLNG facilities whereupon Afriquia Gaz will lift and take title for LNG for transportation, distribution and sale to the Moroccan industrial market.

Groundworks for the construction of the mLNG facility commenced March 2022 following completion of surveying and remediation works to the access road for the facility. The raised foundation platform for the LNG storage tank, and pads for the skid mounted units, including the compressor package, were completed in 2023 along with the necessary piping and cabling for the firefighting system which have been installed along with fencing and lighting towers. During 2024, installation of the necessary insulation and construction of the outer and inner tank shells of the tank commenced and will progress throughout the remainder of the year. Facilities engineering and manufacturing continued to progress with major vendors under the Italfiuid contract. In 2023 the Company selected Gas to Liquid Equipment (G.L.E.) to provide engineering and procurement services for the flowline system and associated well head

equipment (GLE) to provide engineering and procurement services for the flowline system and associated well head facility equipment for the gas gathering system to transport the gas from the well heads to the mLNG plant.

During the first half of 2024, Bedrock Drilling Ltd - contracted to design, plan and execute the necessary work overs of the TE-6 and TE-7 wells in preparation for turning these appraisal gas wells into long term gas producers - successfully completed replacement of the carbon steel production tubing with corrosion resistant Cr13 steel in TE-6. The remaining works on TE-7 were completed in early September 2024 when additional wellhead equipment to complete the running of the new completion tubing into TE-7 arrived at site.

Throughout 2024 the equipment packages for the gas plant are to be completed and tested in the workshops and will be brought from workshops located around the world, delivered to site via the main ports in Morocco and then assembled on site. To date, Italfiuid has received components of the amine unit which will be used to remove the carbon dioxide from the raw gas stream and packages for air compression, nitrogen generation and corrosion inhibitor injection at their Moroccan storage base.

Progress of the Phase 2 Development Project

Based upon the current development capital estimates the funding arising from the Managem SPA combined with the agreed project debt financing from Attijariwafa Bank, will provide Sound Energy with the required funds to achieve first gas under its Phase 2 Tendrara Production Concession development plan whilst retaining a significant 20% interest in the Concession.

Eastern Morocco

GRAND TENDRARA		
- 8 years from September 2018		
75% interest Operated	Exploration permit	14,411 km ² acreage
ANOUAL		
- 10 years from September 2017		
75% interest Operated	Exploration permit	8,873 km ²
Eastern Morocco licences		
TENDRARA CONCESSION		
- 25 years from September 2018		
75% interest Operated	Production permit	133.5 km ² acreage

Exploration

Our Eastern Morocco Licences comprising the Concession together with the Anoual and Grand Tendrara exploration permits are positioned in a region containing a potential extension of the established petroleum plays of Algerian Triassic Province and Saharan Hercynian Platform. The presence of the key geological elements of the Algerian Trias Argilo-Gréseux Inférieur or 'TAGI' gas play are already proven within the licence areas with the underlying Palaeozoic, representing a significant upside opportunity to be explored.

These licences cover a surface area of over 23,000 square kilometres, but so far only thirteen wells have been drilled, of which six are either located within or local to the Concession. Exploration drilling beyond the region of the Concession has been limited and the Group maintains a portfolio of features identified from previous operators' studies, plus new targets identified by Sound Energy from the recent geophysical data acquisition, subsequent processing and ongoing interpretation studies. These features are internally classified as either prospects, leads or concepts based upon their level of technical maturity and represent potential future exploration drilling targets.

Whilst the Company has strategically prioritised its gas monetisation strategy through the phased development of the TE-5 Horst (Tendrara Production Concession), the Company has also re-evaluated its extensive exploration portfolio within the Grand Tendrara and Anoual exploration permits surrounding the Concession. By integrating the acquired data and learnings from previous drilling campaigns with acquired and reprocessed seismic datasets, the Company has high graded several potential near term subsalt drilling opportunities within the TAGI gas reservoir, the proven reservoir of the TE-5 Horst gas accumulation.

In June 2024 the Company concluded a competitive farm-out process in the underexplored but highly prospective Tendrara Basin in Eastern Morocco. This opportunity provides access to high impact, short term exploration opportunities, in a stable country with very attractive fiscal terms. By entering into a binding SPA with Managem, the Company has secured the funding required for the drilling two high graded exploration wells, one on Grand Tendrara and one at Anoual which each have the potential to be commercialised through the planned infrastructure of Phase 2.

At Grand Tendrara, an exploration well is planned on the structure previously drilled by the SBK-1 well in 2000, with an estimated unrisks exploration potential of 140 Bcf gross Pmean Gas Initially in Place ('GIIP'). 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 mechanical stimulation. Mechanical 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.

At Anoual a well is planned to be drilled on the M5 prospect located on the Anoual permits, with an estimated unrisks exploration potential of 943 Bcf gross Pmean GIIP. The timing of drilling of both well will be agreed with Managem following completion of the SPA.

Southern Morocco

Southern Morocco licence

SIDI MOKTAR ONSHORE		
- 8 years remaining		
- Effective date 9/04/2018		
75% interest Operated	Exploration permit	4,712 km ²

Southern Morocco Exploration

The Sidi Moktar licence is located in the Essaouira Basin in Southern Morocco. The licence covers a combined area of 4,712 km². The Group views the Sidi Moktar licences as an exciting opportunity to explore high impact

prospectivity within the sub-salt Triassic and Palaeozoic plays in the under-explored Essaouira Basin in the West of Morocco.

The Sidi Moktar permit hosts a variety of proven plays. The licence hosts 44 vintage wells drilled between the 1950s and the present. Previous exploration has been predominantly focused on the shallower post-salt plays. The licence is adjacent to the ONHYM operated Meskala gas and condensate field. The main reservoirs in the field are Triassic aged sands, directly analogous to the deeper exploration plays in the Sidi Moktar licence. The Meskala field and its associated gas processing facility are linked via a pipeline to a state-owned phosphate plant, which produces fertiliser both for domestic and export markets. This pipeline passes across the Sidi Moktar licence. The discovery of the Meskala field proved the existence of a deeper petroleum system in the basin. Specifically, Meskala provides evidence that Triassic clastic reservoirs are effective, proves the existence of the overlying salt seal and provides support for evidence of charge from deep Palaeozoic source rocks. Based on work undertaken by Sound Energy, the main focus of future exploration activity in the licence is expected to be within this deeper play fairway. The Company believes that the deeper, sub-salt Triassic and Palaeozoic plays may contain significant prospective resources, in excess of any discovered volumes in the shallower stratigraphy.

The Company's evaluation of the exploration potential of Sidi Moktar, following an independent technical review, includes a mapped portfolio of sub-salt, Triassic and Palaeozoic leads in a variety of hydrocarbon trap types. Sound Energy is developing a work programme to mature the licence with specific focus on the deeper, sub-salt plays. The Company believes additional seismic acquisition and processing is required to mature these leads into drillable exploration prospects.

Preparations for this seismic acquisition campaign have commenced with the completion and approval of an EIA in late 2019.

The Company continues to seek to progress a farm out process for this permit, offering an opportunity to a technically competent partner to acquire a material position in this large tract of prospective acreage. In parallel, the Company continues to engage in dialogue with a number of seismic acquisition and processing contractors for potential services to undertake the survey.

Condensed Interim Consolidated Income Statement

		Six months ended 30 June 2024 Unaudited £'000s	Six months ended 30 June 2023 Unaudited £'000s	Year ended 31 Dec 2023 Audited £'000s
	Notes			
Other income		-	4	4
Impairment loss on development assets and exploration costs	4	(122,951)	(4,213)	-
Gross (loss)/profit		(122,951)	(4,209)	4
Administrative expenses		(1,398)	(1,170)	(3,887)
Group operating loss from continuing operations		(124,349)	(5,379)	(3,883)
Finance revenue		9	11	25
Foreign exchange gain/(loss)		155	(2,245)	(2,719)
Finance expense		(903)	(808)	(1,893)
Loss for period before taxation from continuing operations		(125,088)	(8,421)	(8,470)
Tax expense		-	(1)	(1)
(Loss)/profit for period after taxation from continuing operations		(125,088)	(8,422)	(8,471)
Discontinued operations				
(Loss)/profit for the period after tax from discontinued operations	10	(23,141)	(208)	1,311
Total loss for the period		(148,229)	(8,630)	(7,160)
Other comprehensive (loss)/income				
Items that may subsequently be reclassified to profit and loss account:				
Foreign currency translation income/(loss)		810	(5,735)	(6,555)
Total comprehensive loss for the period attributable to equity holders of the parent		(147,419)	(14,365)	(13,715)
		Pence	Pence	Pence
Basic and diluted (loss)/profit per share for the period from continuing and discontinued operations attributable to equity holders of the parent	3	(7.50)	(0.47)	(0.38)
Basic and diluted (loss)/profit per share for the period from continuing operations attributable to equity holders of the parent	3	(6.33)	(0.46)	(0.45)

Condensed Interim Consolidated Balance Sheet

	30 June 2024 Unaudited	30 June 2023 Unaudited	31 Dec 2023 Audited
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	Notes	£'000s	£'000s	£'000s
Non-current assets				
Property, plant and equipment	4	10,135	152,964	157,927
Intangible assets	5	13,846	34,834	35,002
Prepayments	6	1,367	4,082	5,092
		25,348	191,880	198,021
Current assets				
Inventories		191	920	915
Other receivables		53	3,042	924
Prepayments		43	165	1,342
Cash and short term deposits	7	235	3,733	3,016
		522	7,860	6,197
Assets of disposal group held for sale	10	35,531	-	-
Total assets		61,401	199,740	204,218
Current liabilities				
Trade and other payables		833	1,899	2,495
Tax liabilities		-	-	199
Lease liabilities		31	174	121
Loans and borrowings	8	-	2,122	-
		864	4,195	2,815
Liabilities of disposal group held for sale	10	5,443	-	-
Non-current liabilities				
Lease liabilities		-	31	-
Tax liabilities		-	1,534	1,410
Loans and borrowings	8	35,534	29,088	33,285
		35,534	30,653	34,695
Total liabilities		41,841	34,848	37,510
Net assets		19,560	164,892	166,708
Capital and reserves				
Share capital and share premium		40,050	38,822	39,898
Shares to be issued		374	404	374
Warrant reserve		2,071	2,071	2,071
Convertible bond reserve		28	388	28
Foreign currency reserve		2,704	2,714	1,894
Accumulated (deficit)/surplus		(25,667)	120,493	122,443
Total equity		19,560	164,892	166,708

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Accumulated surplus £'000s	Warrant reserve £'000s
At 1 January 2024	19,631	20,267	374	122,443	2,071
Total loss for the period	-	-	-	(148,229)	-
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(148,229)	-
Issue of share capital on conversion of bond	300	(148)	-	-	-
Share based payments	-	-	-	119	-
At 30 June 2024 (unaudited)	19,931	20,119	374	(25,667)	2,071

	Share capital £'000s	Share premium £'000s	Shares to be issued £'000s	Accumulated surplus £'000s	Warrant reserve £'000s
At 1 January 2023	18,487	20,134	404	129,004	1,607
Total loss for the period	-	-	-	(8,630)	-
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(8,630)	-
Issue of share capital	114	87	-	-	-
Fair value of warrants issued during the period	-	-	-	-	464
Equity component of convertible bond	-	-	-	-	-
Share based payments	-	-	-	119	-
At 30 June 2023 (unaudited)	18,601	20,221	404	120,493	2,071

Share capital
£'000s

Share premium
£'000s

Shares to be issued
£'000s

Accumulated surplus
£'000s

Warrant reserve
£'000s

	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
At 1 January 2023	18,487	20,134	404	129,004	1,607
Total loss for the year	-	-	-	(7,160)	-
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss	-	-	-	(7,160)	-
Issue of share capital on conversion of bond	1,000	46	-	-	-
Other share capital issues	114	87	-	-	-
Transfer to share capital on issue of shares	30	-	(30)	-	-
Fair value of warrants issued during the year	-	-	-	-	464
Equity component of convertible bond	-	-	-	-	-
Cost of issue allocated to equity component	-	-	-	-	-
Transfer to accumulated surplus on bond conversion to shares	-	-	-	360	-
Share-based payments	-	-	-	239	-
At 31 December 2023	19,631	20,267	374	122,443	2,071

Condensed Interim Consolidated Statement of Cash Flows

	Six months ended 30 June 2024 Unaudited £'000s	Six months ended 30 June 2023 Unaudited £'000s	Year ended 31 Dec 2023 Audited £'000s
Notes			
Cash flow from operating activities			
Cash flow from operations	(191)	(1,207)	(1,403)
Interest received	20	29	42
Tax paid	-	(125)	(134)
Net cash flow from operating activities	(171)	(1,303)	(1,495)
Cash flow from investing activities			
Capital expenditure	(1,616)	(751)	(1,600)
Exploration expenditure	(371)	(359)	(660)
Prepayment for Phase 1, mLNG Project	-	-	(820)
Receipt from interest in Badile land	-	134	134
Net cash flow from investing activities	(1,987)	(976)	(2,946)
Cash flow from financing activities			
Net proceeds from borrowings	2,046	2,425	4,442
Interest payments	(354)	(222)	(441)
Lease payments	(93)	(89)	(180)
Net cash flow from financing activities	1,599	2,114	3,821
Net decrease in cash and cash equivalents	(559)	(165)	(620)
Net foreign exchange difference	(345)	37	(225)
Cash and cash equivalents at the beginning of the period	3,016	3,861	3,861
Cash and cash equivalents at the end of the period	7	2,112	3,016

Notes to Statement of Cash Flows

	Six months ended 30 June 2024 Unaudited £'000s	Six months ended 30 June 2023 Unaudited £'000s	Year ended 31 Dec 2023 Audited £'000s
Cash flow from operations reconciliation			
Loss before tax from continuing operations	(125,088)	(8,421)	(8,470)
(Loss)/profit before tax from discontinued operations	(23,141)	(208)	1,318
Total (loss)/profit for the period before tax	(148,229)	(8,629)	(7,152)
Finance revenue	(20)	(29)	(42)
(Increase)/decrease in inventories	(717)	43	48
Decrease/(increase) in short term receivables and prepayments	794	(253)	688
Increase/(decrease) in accruals and short term payables	585	(108)	(343)
Impairment loss on development assets, intangible assets and			

exploration costs	146,425	4,213	-
Impairment of interest in Badile land	-	125	125
Depreciation and amortisation	104	110	194
Share based payments charge	119	119	239
Finance costs and exchange adjustments	748	3,202	4,840
Cash flow from operations	(191)	(1,207)	(1,403)

Non-cash transactions during the period included the issue of 30,000,000 ordinary shares to convertible bond holders following a partial conversion of £0.3 million accrued interest into shares.

The Group has provided collateral of nil (December 2023: 1.75 million) to the Moroccan Ministry of Petroleum to guarantee the Group's minimum work programme obligations on the Anoual and Sidi Moktar licences. The cash collateral was released during the period.

Notes to the Condensed interim Consolidated Financial Statements for the six months ended 30 June 2024

1. Basis of preparation

The condensed interim consolidated financial statements do not represent statutory accounts within the meaning of section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2023 is based on the statutory accounts for the year ended 31 December 2023. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed interim financial information is unaudited and except as noted below, has been prepared on the basis of the accounting policies set out in the Group's 2023 statutory accounts and in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom.

The seasonality or cyclicity of operations does not impact on the interim financial statements.

Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as being met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

The Group considered the disposal of Sound Energy Morocco East Limited (SEME) met the criteria to be classified as held for sale as at 30 June 2024 because on 14 June 2024, the Company announced that it had entered into a binding sale and purchase agreement (SPA) with Managem SA for sale of SEME. SEME's operations are a significant part of the group and have therefore been classified as discontinued operations on entry into the SPA.

Going concern

As at 31 August 2024, the Group's unaudited cash balance was approximately £3.0 million. The Directors have reviewed the Company's cash flow forecasts for the next 12-month period to September 2025. The Company's key priority is to complete the announced sale of its subsidiary, Sound Energy Morocco East Limited, which will bring a significant inflow of capital to the Company, and which will ensure that the Company remains fully funded for the next 12 month period.

The need to complete the Managem SPA indicates the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. These Interim condensed consolidated 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 the Company will be able to complete the sale of Sound Energy Morocco East Limited prior to the end of 2024 and have put in place an interim corporate bridge funding facility ahead of the completion of the sale, which can be utilised if required. The Directors, therefore, 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 Interim condensed consolidated financial statements.

2. Segment information

The Group categorises its operations into three business segments based on Corporate, Exploration and Appraisal and Development and Production. The Group's Exploration and Appraisal activities are carried out in Morocco. The Group's reportable segments are based on internal reports about the components of the Group which are regularly reviewed by the Board of Directors, being the Chief Operating Decision Maker ("CODM"), for strategic decision making and resources allocation to the segment and to assess its performance. The segment results for the period ended 30 June 2024 are as follows:

Segment results for the period ended 30 June 2024

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Other income	-	-	-	-
Impairment loss on development assets and exploration costs	-	(122,951)	-	(122,951)
Administration expenses	(1,398)	-	-	(1,398)
Operating profit segment result	(1,398)	(122,951)	-	(124,349)
Interest revenue	9	-	-	9
Finance costs and exchange adjustments	(748)	-	-	(748)
Profit for the period before taxation from continuing operations	(2,137)	(122,951)	-	(125,088)

The segments assets and liabilities at 30 June 2024 are as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Non-current assets	88	11,483	13,777	25,348
Current assets	288	191	43	522
Liabilities attributable to continuing operations	(23,583)	(12,613)	(202)	(36,398)

The geographical split of non-current assets at 30 June 2024 is as follows:

	UK £'000s	Morocco £'000s
Development and production assets	-	10,116
Right of use assets	15	-
Fixtures, fittings and office equipment	3	1
Software	60	9
Prepayment	-	1,367
Exploration and evaluation assets	-	13,777
Total	78	25,270

Segment results for the period ended 30 June 2023

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Other income	-	-	4	4
Impairment loss on development assets and exploration costs	-	(4,213)	-	(4,213)
Administration expenses	(1,170)	-	-	(1,170)
Operating profit segment result	(1,170)	(4,213)	4	(5,379)
Interest revenue	11	-	-	11
Finance costs and exchange adjustments	(3,053)	-	-	(3,053)
Profit for the period before taxation from continuing operations	(4,212)	(4,213)	4	(8,421)

The segments assets and liabilities at 30 June 2023 were as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Non-current assets	201	156,854	34,825	191,880
Current assets	2,758	2,385	2,717	7,860
Liabilities	(23,628)	(8,276)	(2,944)	(34,848)

The geographical split of non-current assets at 30 June 2023 was as follows:

	UK £'000s	Morocco £'000s
Development and production assets	-	152,772
Right of use assets	188	-
Fixtures, fittings and office equipment	4	-
Software	-	9
Prepayment	-	4,082
Exploration and evaluation assets	-	34,825
Total	192	191,688

Segment results for the year ended 31 December 2023

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Other income	-	-	4	4
Impairment of development assets and exploration costs	-	-	-	-
Administration expenses	(3,887)	-	-	(3,887)
Operating (loss)/profit segment result	(3,887)	-	4	(3,883)
Interest receivable	25	-	-	25
Finance expense and exchange adjustments	(4,612)	-	-	(4,612)
(Loss)/profit for the period before taxation from continuing operations	(8,474)	-	4	(8,470)

The segments assets and liabilities at 31 December 2023 were as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Non-current assets	137	162,908	34,976	198,021
Current assets	1,959	2,897	1,341	6,197
Liabilities	(23,551)	(11,368)	(2,591)	(37,510)

The geographical split of non-current assets at 31 December 2023 was as follows:

	UK £'000s	Morocco £'000s
Development and production assets	-	157,816
Fixtures, fittings and office equipment	4	6
Right of use assets	101	-
Software	18	8
Prepayments	-	5,092
Exploration and evaluation assets	-	34,976
Total	123	197,898

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

	30 June 2024 £'000	30 June 2023 £'000	31 December 2023 £'000
Loss after tax from continuing operations	(125,088)	(8,422)	(8,471)
(Loss)/profit after tax from discontinued operations	(23,141)	(208)	1,311
Total loss after tax from continuing operations	(148,229)	(8,630)	(7,160)
	million	million	million
Weighted average shares in issue	1,977	1,849	1,882
Dilutive potential ordinary shares	-	-	-
Diluted weighted average number of shares	1,977	1,849	1,882
	Pence	Pence	Pence
Basic and diluted loss per share from continuing operations	(6.33)	(0.46)	(0.45)
Basic and diluted loss/(profit) per share from discontinued operations	(1.17)	(0.01)	0.07
Basic and diluted loss per share from continuing operations and discontinued operations	(7.50)	(0.47)	(0.38)

4. Property, plant and equipment

	30 June 2023 £'000s	30 June 2023 £'000s	31 December 2023 £'000s
Cost			
At start of period	158,791	164,061	164,061
Additions	2,628	969	2,739
Disposal	(192)	-	-
Exchange adjustments	1,050	(7,179)	(8,009)
Transfer to assets of disposal group held for sale	(28,482)	-	-
At end of period	133,795	157,851	158,791
Impairment and depreciation			
At start of period	864	699	699
Charge for period	128,260	4,309	177
Disposal	(182)	-	-
Exchange adjustments	32	(121)	(12)
Transfer to assets of disposal group held for sale	(5,314)	-	-
At end of period	123,660	4,887	864
Net book amount	10,135	152,964	157,927

In June 2024, the Company entered into a binding sale and purchase agreement (SPA) with Managem SA for the disposal of SEME (Note 10). Property, plant and equipment of the disposal group were measured at the lower of their carrying amount and fair value less costs to sell and classified as assets of disposal group held for sale and as a result, impairment loss of approximately £5.2 million was recognised. Similarly, for continuing operations, the Company estimated the recoverable amount by reference to the fair value of the Tendrara Production Concession attributable to the discontinued operation and as a result, an impairment loss of approximately £123.0m was recognised. The Company used a discount rate of 10.76% at 30 June 2024, a decrease from 11.25% at 31 December 2023 due to changes in financial market conditions and certain corporate parameters during the period. The Company is required to record an impairment when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. As the Company's operations are pre-production, it is impracticable to determine value in use and therefore, the Company has determined the carrying value by reference to terms set-out in the SPA and as a result, recognised an impairment loss.

5. Intangibles

	30 June 2024 Unaudited £'000s	30 June 2023 Unaudited £'000s	31 December 2023 Audited £'000s
Cost			
At start of period	45,964	46,969	46,969
Additions	427	400	751
Exchange adjustments	498	(1,573)	(1,756)

Transfer to assets of disposal group held for sale	(32,121)	-	-
At end of period	14,168	45,796	45,964
Impairment and Depreciation			
At start of period	10,962	10,962	10,962
Charge for period	17,902	14	17
Exchange adjustments	269	(14)	(17)
Transfer to assets of disposal group held for sale	(28,811)	-	-
At end of period	322	10,962	10,962
Net book amount	13,846	34,834	35,002

Included in the charge for the period is approximately £17.9 million impairment that arose following the measurement of the intangible assets at the lower of their carrying and fair value less costs to sell on signing of the SPA with Managem SA (Note 10).

6. Prepayments

Non-current prepayment of £1.4 million relates to activities of the Company's Phase 1 mLNG Project in the Concession.

7. Cash and cash equivalents

For the purposes of the condensed interim consolidated statement of cash flows, cash and cash equivalents comprise the following as at 30 June 2024.

	30 June 2024 Unaudited £'000s	30 June 2023 Unaudited £'000s	31 December 2023 Audited £'000s
Cash and short term deposits	235	3,733	3,016
Cash and short term deposits attributable to discontinued operations	1,877	-	-
	2,112	3,733	3,016

8. Loans and borrowings

	30 June 2023 Unaudited £'000s	30 June 2023 Unaudited £'000s	31 December 2023 Audited £'000s
Current liability			
Secured bonds	-	2,122	1,121
Reclassification to non-current liability	-	-	(1,121)
	-	2,122	-
Non-current liability			
Secured bonds	21,964	19,652	21,980
Loan note- Afriquia	12,613	8,083	10,276
Convertible bonds	957	1,353	1,029
	35,534	29,088	33,285

The Company has €25.32 million secured bonds (the "Secured Bonds"). The Secured Bonds mature on 21 December 2027. The Secured Bonds bear until maturity 2% cash interest paid per annum and 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 Secured 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 Secured Bonds are secured on the issued share capital of Sound Energy Morocco South Limited. After taking account of the terms of the Secured Bonds, the effective interest is approximately 6.2%.

As at 30 June 2024, the Company had drawn down 14.6 million from the Company's 18.0 million 6% secured loan note facility with Afriquia Gaz maturing in December 2033 (the "Afriquia Loan"). The drawn down principal bears 6% interest per annum payable quarterly but deferred and capitalised semi-annually until the second anniversary of the issue of Notice to Proceed. Payment of interest that is not deferred commenced in Q2 2024. The principal and deferred interest will be repayable annually in equal instalments commencing December 2028. The Afriquia loan is secured on the issued share capital of Sound Energy Meridja Limited. The effective interest on the drawdown amount is approximately 6.2%.

In June 2023, the Company issued £2.5 million convertible bonds (the "Bonds") from a senior unsecured convertible bond facility of up to £4.0 million. The £2.5 million Bonds have a fixed conversion price of 2.25 pence per ordinary share. The term of the Bonds is 5 years from drawdown date, with interest of 15% per annum payable bi-annually in cash or capitalised to the principal, at the Company's election. The Company issued 33,333,333 warrants to subscribe for new ordinary shares in the Company at an exercise price of 2.25 pence per ordinary share with a term of 3 years. Following partial conversions of the Bonds into shares, the remaining undiscounted principal and interest amount was £0.3 million and £1.6 million, respectively, as at 30 June 2024.

Post-period, the Company entered into a short-term bridge financing facility with a high net worth investor (the "Lender") for up to £1.5 million, available for three months from 1 September 2024 (the "Availability Period"). Any amounts drawn down under the bridge financing facility will attract an interest rate of 15 per cent. per quarter and will fall for repayment on the earlier of three-months from the date of draw down or within 3 days of completion of the sale of SEME. The Company will pay the Lender a fee of £50,000 in the event that no draw down is made prior to expiry of the Availability Period and the bridge financing facility will, from first draw down, be secured by way of a charge over the shares of Arran Energy Holdings Limited, the Company's wholly owned subsidiary. The bridge financing facility, if drawn down upon, will provide the Company with access to additional working capital resources prior to receipt of funds associated with the sale of SEME to Managem SA.

9. Shares in issue and share based payments

As at 30 June 2024, the Company had 1,993,122,679 ordinary shares in issue.

Share issues during the period

In April 2024, the Company issued 30,000,000 shares at 1 pence per share following a partial conversion by convertible bond holders of accrued interest into shares.

10. Discontinued operations

On 14 June 2024, the Company announced that it had entered into a binding sale and purchase agreement with Managem SA for the disposal of SEME that owns:

- 55% interest in the Tendirara Production Concession), including the liability for payments arising from the Schlumberger net profit interest (NPI) agreement (pursuant to the acquisition of Schlumberger Silk Route Services Limited in 2021);
- 47.5% interest in the Grand Tendirara licence; and
- 47.5% interest in the Anoual licence.

The consideration for the sale is expected to include:

- Back costs (expenditure on the licences) from 1 January 2022 to completion date;
- Tendirara Production Concession Phase 2 carry of up 24.5 million;
- Anoual licence carry on one well, 2.6 million;
- Grand Tendirara licence carry on one well, 3.6 million;
- On achieving Phase 2 first gas, 1.5 million

The Company and Managem SA are working to satisfy the conditions precedents and expect to complete the transaction in the second half of 2024. At 30 June 2024, SEME's operations were classified as held for sale and as discontinued operations. Having been classified as discontinued operations, SEME's results have been excluded from the loss for the period disclosed in the segment note.

The results of discontinued operations for the period are presented below.

	Six months ended 30 June 2024 Unaudited £'000s	Six months ended 30 June 2023 Unaudited £'000s	Year ended 31 December 2023 Audited £'000s
Other income	-	-	38
Impairment of tangible and intangible assets	(23,107)	-	-
Gross loss	(23,107)	-	38
Administrative (expenses)/costs recovery	(140)	(78)	1,491
Operating (loss)/profit from discontinued operations	(23,247)	(78)	1,529
Finance revenue	11	17	17
Foreign exchange loss	(71)	(133)	(127)
Finance costs recovery/(expense)	166	(14)	(101)
(Loss)/profit for the period before taxation from discontinued operations	(23,141)	(208)	1,318
Tax expense	-	-	(7)
(Loss)/profit for the period after taxation from discontinued operations	(23,141)	(208)	1,311

The major classes of assets and liabilities of the discontinued operations classified as held for sale as at 30 June 2024 are as follows:

	30 June 2024 Unaudited £'000s
Assets	
Property, plant and equipment	23,168
Intangible assets	3,910
Prepayments	4,278
Inventories	1,441
Other receivables	857
Cash and short term deposits	1,877
Assets of disposal group held for sale	35,531
Liabilities	
Trade and other payables	4,002
Tax liabilities	1,441
Liabilities of disposal group held for sale	5,443
Net assets	30,088

The net cash flows of the discontinued operations were as follows:

	Six months ended 30 June 2024 Unaudited £'000s	Six months ended 30 June 2023 Unaudited £'000s	Year ended 31 December 2023 Audited £'000s
Net cash flow from operating activities	1,581	27	1,765
Net cash flow from investing activities	(1,361)	(732)	(2,210)
Net cash flow from financing activities	-	-	-
Net cash inflow/(outflow)	220	(705)	(445)

11. Post balance sheet events

In July 2024, the Company announced that it has received conversion notices to issue 50,000,000 Ordinary Shares ("Shares") at a conversion price of 1 pence per Share under its Convertible bonds agreement ("Partial Conversion"). The Partial Conversion reduced the interest owing on the Convertible bonds by £300,000.

In August 2024, the Company entered into a bridge financing facility for up to £1.5 million available for three months from 1 September 2024 (the "Facility"). Any amounts drawn down under the Facility will attract an interest rate of 15 per cent per quarter and will fall due for repayment on the earlier of three months from the date of draw down or within 3 days of completion of the sale of SEME. The Company will pay the lender a fee of £50,000 in the event that no draw down is made by 1 December 2024 (Note 8).



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