



## Investor Q&A February 2022

**Q: How have you expanded your team to cope with a more operational business once more?**

A: Yes, we have. We have recently appointed a Corporate HSSE Manager and Project Manager. Kath Mansfield is Project Manager for our Phase 1 development and she is introduced by video on our web site. Matt James our HSSE Manager comes with a wealth of military and energy operations experience, both excellent and very experienced hires. Additionally, we have recently appointed a new company General Counsel and will shortly be appointing a Morocco based experienced National Finance Manager. As we move through the execution phase of phase 1 development, we will continue to add to our operational capability, however we are planning to do this using a more flexible resourcing model than the company had during its last operational phase. For example, we work with Bedrock Drilling Ltd to support drilling operations and with ERC Equipoise Ltd on the subsurface side and we are in the process of appointing a third party owner engineer for the Phase 1 development. This flexible engagement model underpins our need to be cost effective with a strict approach and capital discipline.

**Q: Have you more thoughts on diversifying the business ?**

A: Yes, we have. We are conscious that the business needs to grow and to diversify its investments, reduce its risks, and increase its growth opportunities and deliver cash. To that end, and although the UK Takeover and Mergers panel restrict what we can currently say publicly, the recent rule 2.4 announcement regarding a possible offer for Angus Energy PLC, is a current example of the type of growth opportunity that the company is considering. This however, is part of a wider funnel of opportunities that the company has been or will be assessing. The Company believes that it has a distinctive skill set, network and position in the UK, Morocco and beyond in which to leverage its transition energy strategy and diversify both geographically and by asset class beyond upstream gas into renewable energies. We recognise at the Board that building a balanced portfolio and providing accretive growth is good for the future and sustainability of the company. We will look at all tools available to achieve both organic growth within our Moroccan acreage and inorganic growth beyond. We will not lose sight though of delivering Phase 1 and getting Phase 2 to FID and exploiting our leading exploration portfolio in Morocco.

**Q: The potential offer for Angus Energy has taken shareholders by surprise. What assurances can you give to shareholders that the value and prospects of our current phase 1 & 2 developments will not be damaged, irrespective of the outcome of negotiations with Angus?**

A: The rules of the UK Takeover and Mergers panel are very clear, we know this may appear frustrating for some of our shareholders but we cannot provide comment on any matters related to the potential offer for Angus Energy. What we can say though, to give reassurance to shareholders, is that we are fully committed to our Phase 1 and Phase 2 developments, with Phase 1 execution underway and Phase 2 development funding advancing well following from the already completed front end engineering.

**Q: Could the Company please provide an exploration update if any for 2022 ?**

A: We remain very confident in the exploration potential of these basins, demonstrated by the existing gas discoveries at the TE-5 Horst and SBK-1. These sub-salt plays have been proven to be prolific elsewhere in North Africa (for example, in neighbouring Algeria) and this geology extends across the border into Morocco.

We are certainly committed to the exploration potential within our Moroccan portfolio including the drill ready prospectivity we have recognised but we believe that prioritising delivery of the phased development strategy (first the LNG and then the pipeline projects) will help to put in place the necessary contractor and supplier ecosystem to enable us to drill more wells appraising Tendrara basin at a lower cost, more efficient and safer way than a standalone approach which used to have been applied. Delivery of the LNG strategy and securing the pathway for the generation of early free cash flow is also among the measures that will allow the company to re-commence future field exploration activities with its own financial resources.

We would also add that executing onshore operations during a global pandemic undoubtedly increases scheduling and budget uncertainty. We have a prospect identified on Anoual for the commitment well (M5), and we have been progressing our operational planning to allow us to drill this well at the appropriate time for the Company. We are also looking very carefully at the SBK-1 gas discovery. This well tested gas at a peak rate of 4.4 mmscft/d without the need for mechanical stimulation.

Timing of our exploration activities must be managed within the Company's investment envelope and, as we have stated, our primary focus is on the delivery of gas production at the TE-5 Horst. However, we are also continuing to progress discussions with potential investment partners attracted to the huge opportunity Morocco offers and our large onshore permit holding. We have received increased interest since Algeria terminated the supply of gas to Morocco resulting in two idle gas fired power plants along the GME pipeline just 120 kms north our TE-5 Horst development.

**Q: What ever happened with sidi mactar (sic) please ?**

A: For those new to our asset base, our Sidi Moktar permits are located near the Atlantic coast of Morocco some 600 km west of Tindrara. Historical drilling on this permit has largely focused on the shallower reservoirs above the salt.

But we believe that the deeper, again sub-salt Triassic and Palaeozoic plays, contain the potential for significant gas resources.

This potential is demonstrated by the ONHYM operated Meskala Gas Field, immediately adjacent our permits. This field produces gas and condensate from a sub-salt Triassic reservoir. Thus proving the play across our permits.

To mature the leads we have identified in this sub-salt Triassic play to drill ready prospects we require additional seismic data.

Sound remains committed to finding a suitable solution that enables the potential of the Sidi Moktar permits, specifically the acquisition of 2D seismic to better improve subsurface imaging and is pursuing a number of alternatives, such as farming down. Unfortunately, due to the downturn in the global commodities markets over the last few years investment in early stage exploration such as Sidi Moktar have been scarce. With the recent improvements in wholesale gas and oil prices and the consequent re-financing of upstream balance sheets, we are seeing increased appetite for exploration activities which we hope will yield a suitable partner for Sound Energy to explore the high potential prospectivity of this area.

**Q: How has covid effected your 2022 plans ?**

A: The UK seems to be easing all its restrictions and we have made it back to the office and, although international travel is still always difficult, we do feel almost back to normal. We continue with a motivated team and now that the NtP has been achieved there is a buzz of excitement around. Geo-politics have now unfortunately taken centre stage and as yet none of our supply chain has been impacted.

**Q: Now that the Notice to Proceed has been given what are the next steps ?**

A: We are now in the project execution phase and have the Project Kick Off Meeting scheduled with Italfiuid and will be working closely with them to finalise the mLNG Plant schedule and understand their forecast dates for submission of preliminary engineering documentation, placement of major purchase orders and commencement of site civils works in the short term. The required geotechnical survey for the site location has already been completed. In parallel we are progressing the Sound Energy scope related to the wellhead preparation and engineering of the flowlines (which are not on the project critical path). Afriquia Gaz

are also progressing their engineering and procurement activities to ensure that they are ready to receive first gas in around 24 months.

**Q: What are the usual development steps in a microLNG project and what should shareholders expect to see from the Company in the coming months ?**

A: In the next 3 months the focus will be on the review and approval of the preliminary engineering, placement of purchase orders for all major long lead equipment and packages and commencement of site civils works for the mLNG Plant along with engineering of the flowlines. By the end of this year, we should have completed detailed engineering, placed all purchase orders (including bulks), completed site civils works, and commenced construction of the LNG Storage Tank at site. Equipment, packages and bulks deliveries are expected from the start of 2023 along with piping prefabrication and installation of the flowlines. Piping, electrical and instrumentation hook-up will continue through the second half of 2023 prior to commissioning and start-up in around 24 months.

**Q: What are the next steps for Phase 2 ?**

A: With front end engineering having been completed and the long term take-or-pay gas sales agreement now in place, the focus over the last few months, and currently, has been on advancing financing for the development. We have a number of live equity, debt and project financing discussions ongoing and fortunately there is strong interest in the project, so that remains the principle focus to position us to take a final investment decision on the project.

**Q: Will your brokers be publishing further research now that key milestones have been achieved ?**

A: We would have ordinarily have expected SP Angel to have provided a research update following issue of the Notice to Proceed to Italfiuid however due to the UK Takeover and Mergers panel restrictions already mentioned, they are currently prohibited from issuing research. Mifid 2 rules are being relaxed for companies like ourselves and now that NtP and ONEE GSA is achieved updated research would be helpful so we hope though that it will not be long before a research update is provided by SP Angel or another analyst.

**Q: Have you further reduced overhead costs ?**

A: One of the key focuses of the company since the new executive team came on board in 2020 has been financial restructuring. This included the successful restructuring of the corporate bond in 2021 but also structurally reducing corporate overheads and in culturally embedding capital discipline across the organisation. To that end, we reduced group G&A by more than 70% from 2018 through to 2020 and

slightly lowering it again through 2021. Moving forward now into a more operational phase and, as we look to grow the company, it is forecasted that overall group expenditure will increase, but it will do so within a very tightly controlled and prudent financial envelope.

**Q: Are Onhym paying their share of development costs ?**

A: Yes, ONHYM has been meeting its share of agreed development concession cash calls (the means through which we apportion JV development costs)

**Q: Good afternoon. Is Sound considering any movement into U.K. fracking if HMG does indeed start to rebalance the cost benefit analysis of Green energy vs energy security? Many thanks.**

A: Sound Energy is not presently planning any moves into "UK fracking" but it does see the current dynamics within the UK, European and global energy markets as presenting realisable opportunities for the company. We are currently in a situation of disruption within energy markets and it is through such periods that businesses with unique insights and capabilities can emerge with a differentiated offering that leads to growth. We are hopeful, through our various new business development opportunities that Sound Energy is firmly placed to capitalise on these dynamics and deliver value to shareholders

**Q: What opportunities now for sound that Algeria has turned the GME pipe off ?**

A: The opportunities are available to all to produce domestic gas in Morocco and replace the previously supplied Algerian gas. We note that Moroccan energy demands are growing and gas will take a greater share of a bigger demand need, so it's not that this one incident has created a market. The market is there and we continue to work hard to develop our Tendirara Concession and surrounding exploration permits to meet that demand as promptly as possible.

**Q: What can shareholders expect as far as newsflow in Q1/Q2 of 2022 ?**

A: News flow is often the lifeblood of AIM listed companies and we will always keep shareholders immediately informed of milestone activities and achievements. Q1 / Q2 we hope will bring news on Phase 1 schedules, Phase 2 financing, news on our outstanding tax issues, which languishes in the court processes, and of course any advancements of our renewable energy reviews. Our exploration planning is more likely later in the year but as mentioned before we will release information immediately as it becomes available. We will continue to find ways to more fully engage with shareholders and can host a live event or two throughout the year.

**Q: Question for Graham Lyon: Are you pleased with what you achieved in 2021 ?**

A: We are presently preparing our Annual report and accounts for 2021 and looking back quite a lot has been achieved. It did take longer than everybody wanted but finally

- we have a real project with the Phase 1 micro LNG scheme moving ahead,
- we have a GSA with ONEE to underpin a full field development in Phase 2,
- we engaged with bondholders and restructured our financing balancing all stakeholders needs,
- we introduced new strategic partners and shareholders,
- we lived within our means but still found energy to grow the business opportunity pipeline.

It is not for us to be complacent looking back as we still have a long way to go but I cannot thank our remaining team enough for how they performed since I arrived with the limited resources we had available. Everyone has put in a full shift and more. So, in that sense yes, I am pleased for the team.