# SOUND ENERGY PLC

## ANNUAL REPORT & ACCOUNTS
## FOR THE YEAR ENDED 31 DECEMBER 2024

Company Number 05344804

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# STRATEGIC REPORT

## Chairman's Statement

### Introduction

2024 ended with the closure of a transformational transaction for Sound Energy PLC in which its subsidiary, Sound Energy Morocco East Limited (SEME), was sold to Managem SA (Managem), a large Moroccan based, pan-African mining company. This sale, of the Operating Company for Tendrara Concession (the Concession) and the Anoual and Greater Tendrara exploration licenses, brings Sound significant funding covering both development and exploration activities, as well as cash by way of the recovery of past investments from January 2022 to December 2024, thereby materially increasing the Company's cash position and positioning the Company well for future revenue growth and potentially significant exploration upside.

The micro LNG project activity at Tendrara is behind the initial 2024 delivery schedule due to the late delivery of equipment and construction overruns by the main contractor. Despite good progress being made on construction of the LNG storage tank, the construction supply chain and delivery of the key components were challenged. At year-end, major packages had either arrived or were enroute to site. With Managem now assuming operational responsibility for the Concession, value enhancing opportunities will continue to be pursued to ensure delivery of LNG in 2025. The scheduled 2024 Sound-operated development activities, including preparing the wells for production, were completed successfully with no lost time incidents and well integrity maintained.

The Phase 2 pipeline gas project matured with entry into a binding agreement with Managem (for equity development capital funding) for Sound Energy Meridja Limited by way of a development carry. The Company has a binding gas sales agreement with ONEE (Office National de l'Electricité et de l'Eau potable) and senior debt financing via Attijariwafa bank. Both are in place (effectiveness subject to certain conditions precedent). In order to take the next step to enable the Concession joint venture partners to take a Final Investment Decision (''FID'') and commence execution of the project, an update of the Front-End Engineering & Design (''FEED'') study to get relevant 2025 costings and an optimised design is required. As new operator, Managem plans to conclude all activities to undertake FID in 2025 - they have maintained momentum by using their own project management team as well as former SEME staff, and Sound plc staff are providing a comprehensive handover and continued support where required.

Exploration licenses are all in the process of extension and renewal. At year end we are awaiting the various authorities' final approval of the agreed licence amendments. Managem will operate the Anoual and Grand Tendrara exploration licenses and have agreed to carry Sound's costs on two exploration wells, one on each licence. Sidi Moktar remains operated by Sound Energy through its subsidiary Sound Energy Morocco South Limited (SEMS) and it is the intention of the company to progress a seismic survey over the licence in 2025 or early 2026. Logistics are such that until licenses are all fully approved by the various ministries, on-the-ground works cannot take place.

During 2024, we announced a joint study programme with Getech, a market leader in subsurface data, to evaluate natural Hydrogen and Helium potential in Morocco. We expect the study results in 2025.

During the year, the Company held regular shareholder meetings both online and in person. Shareholders requested interactive sessions where they do not need to travel and therefore five live webinar Q&A sessions were held and various video recordings answering questions submitted to the company took place. In 2025 regular engagements will be undertaken, as we continue to interact, listen and share information with our shareholder community.

### Corporate

In August, we announced a small working capital bridge facility from 2i Partners which was available whilst the Managem transaction was closing. This facility was not fully utilised, and the amounts drawn down were repaid in December 2024, along with accrued interest.

During the year, the Company issued 117.5 million new ordinary shares (under its previous authorities) to settle 2023 Convertible loan note obligations. At year end, accrued interest of £568,800 was outstanding.

ESG and keeping our people safe sits at the heart of our business and, as operations continued, we have actively monitored and taken timely action on safety or environmental issues, reports or alerts, as have arisen. The Company has a robust health and safety management system in place and works hand in hand with our contractors and under the umbrella of our corporate environmental and safety standards. Our strong monitoring and constant improvement of working practices has proved robust; we have had very few incidents over the year; however, one contractor broke a leg falling from scaffolding that was marked not for use and a driving accident offsite and out of working hours occurred. Any environmental issues are also recorded and monitored. We instigated a $CO_2$ study with a contractor in 2024 for its potential recovery and sale. A modest 936 tCO2e were emitted in 2024 through diesel consumption which was primarily from heavy plant and equipment used in the mLNG facility civil construction / ground works, dozers, graders, compactors and the well workover operations on TE6 and TE7 completed by Star Valley 101.

Finally, we engage proactively with our local communities, and in 2024, we laid a water line to a local school making running water available for the first time. We take steps not only to employ locals where we can, but to keep relevant stakeholders and communities in Morocco informed about our activities. Good corporate governance is maintained at all levels, and we are applying the revised QCA governance code during reporting year 2025.

The Company continues to manage its financial resources prudently whilst making significant capital investments in pursuing its strategy. The pathway to funding the company until the first revenues from Phase 1 is always under review and a variety of working capital sources are being evaluated. The transaction with Managem provided cash to the Company, however, as Sound now has less operated activities very careful cost management will continue to be applied in 2025 and moving forward. With significant debt on the Company's balance sheet, debt management will be a key focus for Sound in 2025.

Whilst new business opportunities were reviewed in 2024, the corporate focus was to deliver a sustainable Tendrara position and to fund the company for its key development and exploration priorities. With the phase 2 funding pathway contractually agreed, the Company will focus more management attention on growth and portfolio expansion to seek to accelerate its strategy of sustainable revenue generation.

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 their fair market value (less cost of disposal). The Company determined that an impairment charge totalling £122.0 million was required for the retained development assets.

### Board

During 2024, the Board continued to meet regularly and oversee effective implementation of the Company's strategy. Simon Ashby-Rudd stepped down as a board member on the announcement of the transaction with Managem. We thank Simon for his valued service, advice, and support to the Company particularly during the major transaction. Post year end, Mohammed Seghiri resigned from the Company and Board to join Managem SA, providing continuation of operations in Morocco. We thank Mohammed for his 8 years of service with Sound and look forward to continuing our close co-operation in his new role. The board now consists of one Executive and two Independent Non-Executive Directors.

**Summary**

Significant progress has been made in advancing the sustainability of the Company through the transformational transaction with Managem which brings a substantial co-venturer that will operate the mLNG project, provide Sound Energy's equity funding to take FID on the Phase 2 pipeline project and fund two exploration wells for Sound. Sound is now able to evaluate further growth opportunities, either within the current asset base or externally whilst seeking to further strengthen its portfolio and balance sheet.

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, revenue and progress for all our shareholders during 2025 and beyond, as we focus on material developments in transition energy.

**Graham Lyon**
Executive Chairman

# Our Marketplace

## Gas and the Energy Transition

### The market opportunity

As the global community advances the deployment of capital and technology to deliver an energy transition, the outcomes of the United Nations COP28 emphasised the urgency of accelerating climate action. The consensus highlighted the critical need to secure lower-carbon energy sources and transition away from fossil fuels in a "just, orderly, and equitable manner." This momentum reinforces the role of natural gas as a transitional fuel on the path towards a lower-carbon energy future.

In this context, Sound Energy's strategic position is strengthened by its ownership of Morocco's largest onshore gas resource and its extensive, unrisked multi-TCF exploration potential in Eastern Morocco and Sidi Moktar. These assets position the company to capture a significant share of the Moroccan gas market,a market characterised by limited indigenous gas resources and substantial growth potential across industrial applications, gas-to-power projects, and potential exports to Europe via the Gazoduc-Maghreb Europe (GME) gas pipeline.

## Gas and the opportunity for Sound Energy

Transitioning away from carbon-intensive energy supply requires the replacement of high carbon density fuel stocks such as coal to fuels with relatively lower carbon emissions such as Liquified Natural Gas (LNG) or piped gas. This is the opportunity for Sound Energy to connect industrial and power users to gas resources previously seen as isolated from gas market supply or reliant on foreign imports. The gas market that Sound Energy seeks to service and develop throws up considerable opportunity:

- Following the cessation of gas exports to Morocco from Algeria in November 2021, the case for enhanced supply security and indigenous gas production has become even greater. Our proposed Phase 2 gas development to produce for the gas-to-power market is a key element of Morocco’s energy strategy. Clearly, with the significant exploration potential within Sound Energy’s portfolio, we are very well-positioned to meet Morocco’s heightened and growing need for gas should the company discover further gas resources.
- In the Moroccan National Energy Strategy, Sound Energy has been referred to as important in plugging the supply demand imbalance for gas as it becomes the replacement fuel for coal in Morocco.
- As Morocco continues to grow both industrially and domestically, and as other fuel sources become scarcer in-country, there is a further 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. In 2022 Morocco imported only about 1,881 GWh (0.16 BCM, 5.8 Bcf) of natural gas from Spain, in 2023 imports increased to about 9,472 GWh (0.82 BCM, 29 Bcf)[1]. Imported natural gas from Spain has continued to rise during 2024.
- The Phase 2 pipeline gas project, under development at Tendrara, has the potential to offset at least 0.3 BCM per annum of imported natural gas

Moroccan liquefied petroleum gas (LPG) market demand is equivalent to 3.3 BCM (116 bcf) per annum of natural gas. Commencing in May 2024, the Moroccan Government initiated the process of phasing out subsidies on LPG, specifically butane gas[2], to ease the fiscal burden on the State, which provided more than US$ 2 Billion of LPG subsidies in 2022[3]. While the government has begun reducing LPG subsidies, the process is gradual and ongoing. The complete elimination of these subsidies is planned over several years to ensure economic stability and social equity. Given these developments, the Moroccan LPG market is expected to undergo significant changes, with potential impacts on consumption patterns, import levels, and market dynamics with particular opportunities for indigenous gas producers.

Our Phase 1 mLNG project is the means for the Company to generate long term and stable revenue in the short term potentially offsetting 0.1 BCM per annum of imported LPG. There is strong and growing demand for our LNG within Morocco. For shareholders this is a key phase for the business and will allow us to be less reliant on external sources of funding, through long term revenue generation in a low (hydrocarbon) taxation country.

Building on Phase 1, the Phase 2 pipeline gas project will allow the company to layer on growth, generate increased revenues whilst servicing the burgeoning gas market.

[1] https://www.cores.es/en/estadisticas (Corporación de Reservas Estratégicas de Productos Petrolíferos data 2023)

[2] https://www.mapnews.ma/en/actualites/social/social-assistance-project-partial-withdrawal-butane-gas-subsidy-take-effect-monday

[3] OPIS, a Dow Jones Company, 19 December 2023 Interview with Mohammed Rachid Idrissi Kaitouni, President of the Energy Federation in Morocco

## Our Strategic Relationships

Our key business relationships allow Sound Energy to achieve more than we could do alone. We hold strong relationships with our partners, funders, offtakers and investors supporting us from investment funding to project execution and delivery.

**Managem SA**
**Phase 1 and Phase 2**
**Operating Joint Venture Partner**

On the 10 December 2024, Sound Energy completed a partial divestment of the Company's Moroccan assets by way of the disposal of the entire issued share capital of Sound Energy Morocco East Limited (SEME) to Managem. SEME is the designated Operator of the Tendrara Concession, Grand Tendrara and Anoual Exploration Permits.

Managem S.A. is a prominent Moroccan mining group with a strong presence across Africa. Established in 1930, the company specialises in the exploration, extraction, processing, and marketing of various mineral resources. Its diversified portfolio includes precious metals such as gold and silver, base metals like copper, zinc, and lead, as well as cobalt and its derivatives.

The company employs over 5,000 individuals of 22 nationalities, reflecting its international reach[1]. The company is a subsidiary of Al Mada, a Pan-African private investment fund. Managem's strategic vision emphasises sustainable development, technological innovation, and community engagement, aiming to contribute positively to the economic growth of the regions in which it operates.

Under the terms of the divestment of SEME, Managem will provide equity funding to Sound Energy for the Phase 2 development of the Concession, funding for two exploration wells in satisfying the work programmes under the Exploration Permits, a contingent production payment and recovery of past expenditures in cash.

**Afriquia Gaz**
**Phase 1**
**Funding/offtaker/investor**

In 2021, the Concession Joint Venture entered into a binding take or pay Gas Sales Agreement (GSA) to sell, to Afriquia Gaz, an annual contractual quantity of not less than 171,000 cubic metres of LNG per year (approximately 100 million cubic metres a year of gas) for 10 years from first gas (from the Phase 1 project).

In 2021, Afriquia Gaz underpinned its relationship with Sound Energy plc by acquiring a 9.8% shareholding in the Company through a £2 million placing and entered into a $18 million loan note agreement with the Company, also in 2021, which was designed to meet the capital funding requirements of Sound Energy's Joint Venture Concession participants to bring the Phase 1 project onstream. As of 31 December 2024, Afriquia Gaz held an interest in approximately 8.49% of Sound Energy plc's current issued share capital.

[1] https://www.managemgroup.com/en

**Oil and Gas Investment Fund**
**Investor**

In January 2017, Sound Energy acquired the Eastern Morocco portfolio of Oil and Gas Investment Fund ("OGIF"), and introduced OGIF as a second cornerstone investor, which enabled the Company to:

- Consolidate its interests in Eastern Morocco's prospective acreage.
- Strengthen Sound Energy's position in Morocco: OGIF is a Moroccan fund, owned by the seven largest Moroccan financial institutions.
- As of 31 December 2024, OGIF had an interest in approximately 12.76% of Sound Energy's current issued share capital.

**National Office of Hydrocarbons and Mines**
**Permits/funding**

- The National Office of Hydrocarbons and Mines ("ONHYM") is another key partner for Sound Energy.
- ONHYM is a public institution with legal personality and financial autonomy under state supervision and is responsible for the monitoring of permits for exploration and for funding the development jointly with private partners in Morocco.
- Sound Energy has a good relationship with ONHYM formalised through 4 Joint Ventures and Petroleum Agreements (PA) below in each of which ONHYM holds a 25% equity interest:
    1. Tendrara-Lakbir PA which governs the Tendrara Concession JV
    2. Grand Tendrara PA which governs exploration work over the Grand Tendrara exploration permits area
    3. Anoual PA which governs exploration work over the Anoual exploration permits area
    4. Sidi Moktar PA which governs exploration work over the Sidi Moktar exploration permits area

**Office National de l'Electricité et de l'Eau Potable (ONEE)**
**Phase 2**
**Offtaker**

The Tendrara Concession JV is maturing the second phase of pipeline led development of the Tendrara Production Concession (Phase 2 development).

The joint venture partners entered into a binding GSA in respect of the Phase 2 development with Morocco's state-owned power Company ONEE for the sale of natural gas from the Tendrara Production Concession over a 10-year period. Under the GSA, the joint venture partners conditionally committed to producing, processing and delivering gas from the Tendrara Production Concession, in accordance with required ONEE gas specifications, to the GME Pipeline, for an annual contractual volume up to 350 million cubic meters of natural gas per year for a period of 10 years, with an annual take or pay volume of 300 million cubic meters at a fixed sales price.

As part of Phase 2 development financing, the joint venture partners are re-negotiating the GSA with ONEE under the oversight of the Ministry of Energy Transition and Sustainable Development.

### Ministry of Energy Transition and Sustainable Development

The Moroccan Ministry of Energy Transition and Sustainable Development (METSD) is responsible for advancing Morocco's energy policies towards sustainability, focusing on renewable energy development, energy efficiency, and environmental stewardship. Under the leadership of Minister Leila Benali, METSD has initiated several programs and partnerships to achieve these objectives of which the development of the Tendrara Produciton Concession plays an important role. Throughout 2024 the joint venture partners have engaged directly with the Minister to progress the development and maintain support of the Moroccan Government at the highest level.

# Business Model and Strategy

Sound Energy is a Moroccan-focused transition energy company with a business purpose centred on delivering value and sustainable cash generation through exploring, developing and producing energy.

As the world continues its journey towards lower carbon and sustainable energy solutions Sound Energy's investments are focused on supporting Morocco's transition as part of this goal.

## Growth

The Company's growth focused strategy is centred on:

<u>Short-term organic growth</u>

- Tendrara Phase 1 and Phase 2 gas developments
- Tendrara Phase 1 and Phase 2 expansions – additional 2C resource gas sold
- Establishing commercialising of known discoveries (e.g. SBK-1, TE-4 Horst)
- Exploration potential surrounding the developments (e.g. M5)

<u>Medium and long-term growth in the region</u>

- Gas or lower carbon oil
- Renewables (where Sound has unique access)
  - Solar
  - Wind (own use in Eastern Morocco, expansion for grid)
- Opportunistic or targeted asset or corporate acquisitions

## A sustainable business model with ESG at its core

### EVALUATE

- Evaluate our existing portfolio focusing on value extraction via a variety of sustainable energy transition strategies, including partnerships, farm outs and revenue producing opportunities
- Screen and assess opportunities for revenue generation

### DEVELOP

- Advance development strategies with efficient use of financial resources
- Move discoveries through the development phase at pace
- Innovative relationships with strategic partners which can deploy capital and/or technical solutions

### PRODUCE

- Natural gas production via Micro LNG or larger projects at advantaged pricing to generate cash and value for shareholders

### RECYCLE AND GROW

- Recycle cash and leverage portfolio to fuel growth
- Leverage technical, financial and commercial skill sets to build the portfolio

### GOVERNANCE AND ETHICS

- Committed to strong corporate governance to strengthen our business and serve our stakeholders
- LSE growth market listed entity observing the QCA code

### PEOPLE

- Keeping our people safe
- Developing our people
- Promoting positive behaviours
- Training of Moroccan nationals

### SOCIAL RESPONSIBILITY

- Creating local employment in developing countries
- Developing local infrastructure for communities

### ENVIRONMENT

- LNG and piped gas development displacing coal and LPG to lower Morocco's carbon footprint and increase security of supply
- Respecting our environment and upholding high environmental standards

# Reserves and Resources

## Resources

The Company's volumes and risk factors are presented in accordance with the updated and revised June 2018 SPE/WPC/AAPG/SPEE/SEG/SPWLA/EAGE Petroleum Resource Management System ("PRMS").

Contingent Resources are those quantities of petroleum[1] estimated, at a given date, that are potentially recoverable from known subsurface accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

The Tendrara Production Concession contains Contingent Resources[2]. In late 2017, Sound Energy undertook a resource evaluation exercise for the Tendrara discovery. This exercise was conducted by a leading independent technical consultancy, RPS Energy Consultants Ltd ("RPS"). The results of the resource evaluation were presented in a Competent Persons Report ("CPR"). The table below summarises the Discovered Gas Originally in Place and the Contingent Resources[2] for the Tendrara TE-5 Horst within the Concession certified by RPS, as announced by the Company on 20 December 2017 and 23 January 2018, and the net interest to the Company.

| Segment Name | Discovered Gas Initially In Place (Bcf) | | | Contingent Resources (Bcf)[2] | | | Contingent Resources (Bcf)[2] | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Gross** (100%) basis | | | **Gross** (100%) basis | | | **Net** to Company (20%) basis | | |
| | Low | Mid | High | 1C | 2C | 3C | 1C | 2C | 3C |
| **TE-5 Horst (TAGI 1 & 2)** | 349 | 651 | 873 | 197 | 377 | 533 | 39.4 | 75.4 | 106.6 |

Summary table showing the range of Discovered Gas Initially In Place and Contingent Resources, gross, for the Tendrara TE-5 Horst accumulation (TAGI Reservoir), within the Tendrara Production Concession.

1. Petroleum is a naturally occurring mixture consisting of, but not limited to, hydrocarbons in the gaseous, liquid or solid phase. Petroleum may also contain non-hydrocarbon compounds, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur.
2. Contingent Resources are technical volumes, i.e. no economic limit test applied

At the point of the Final Investment Decision ("FID") for each phase of the Tendrara TE-5 Horst development project, it is permissible that a portion of these Contingent Resources can be converted into Reserves (although the Company has not yet elected to do so following FID on Phase 1). Projects that are classified as Reserves will meet the following criteria:

- a technically mature and feasible development plan
- financial appropriations either being in place or having a high likelihood of being secured to implement the project
- a reasonable timeframe for development
- a reasonable assessment that the development projects will have positive economics and meet defined investment and operating criteria; a reasonable expectation that there will be a market for forecast sales quantities of production. There should also be similar confidence that all produced streams can be sold, stored, re-injected, or otherwise appropriately disposed
- the necessary production and transportation facilities are available or can be made available
- legal, contractual, environmental, regulatory, and government approvals are in place, or will be forthcoming, together with resolving any social and economic concerns

## Exploration Potential for Eastern Morocco (Grand Tendrara and Anoual permit)

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations, assuming the application of future development projects. Prospective Resources have an associated geological chance of success ("CoS") applied. CoS is the estimated probability that drilling activities will confirm the existence of a significant accumulation of petroleum and for them to be tested to flow to the surface. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be subclassified based on project maturity.

Sound Energy has defined an exploration inventory, a series of features internally classified as either prospects, leads or concepts, based on their technical maturity. The term "exploration potential", as used herein, is intended to encompass all quantities of undiscovered petroleum (recoverable and unrecoverable) and presented as Gas Initially In Place ("GIIP"). GIIP is the total quantity of gaseous petroleum that is estimated to exist originally in naturally occurring reservoirs, as of a given date. Petroleum may also contain non-hydrocarbon compounds, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur.

Sound Energy has internally estimated exploration potential for the Grand Tendrara and Anoual permits. These estimates are presented as GIIP unrisked without an associated geological CoS and on a gross basis. The total volume of exploration potential is constrained by a basin modelling study undertaken by a leading independent petroleum systems analysis consultancy (IGI Ltd), as communicated by RNS on 29 June 2018.

The output of the basin modelling has allowed Sound Energy to update the estimated exploration potential of the permit and Production Concession as 20 Tcf gas equivalent, mid case, unrisked GIIP. The basin model further defines a possible range of estimated exploration potential across the entire permit area, with a 7 Tcf low case of unrisked gas initially in place and, if all the key elements of the petroleum system's model are present, an upside case of 34 Tcf of unrisked GIIP.

The range of unrisked GIIP volume estimates from the basin model has been used to constrain and consolidate the exploration inventory of features across the permit in addition to the resources of the Tendrara Production Concession. The volumes are spread across a portfolio of prospects, leads and concepts with varying degrees of technical maturity. The portfolio includes an estimate of volumes for features identified from previous operators' studies, plus new volumes identified by Sound Energy from geophysical data acquisition, processing and interpretation exercise, including the recent evaluation of the TE-4 Horst, SBK-1 Structure and M5 Prospect. These are all potential near term subsalt drilling opportunities within the Trias Argilo-Gréseux Inférieur ("TAGI") gas reservoir, the proven reservoir of the Tendrara TE-5 Horst gas accumulation within the Tendrara Production Concession.

Both SBK-1 and TE-4, drilled in 2000 and 2006 respectively, encountered gas shows in the TAGI 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 mechanical stimulation. TE-4 was tested in 2006 but did not flow gas to the surface. 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.

Commercial discoveries in the Grand Tendrara and Anoual Exploration Permits would have the potential to be commercialised through the proposed development infrastructure centred on the Tendrara TE-5 Horst, with sufficient capacity in the planned Tendrara Export Pipeline or as standalone projects.

The table below summarises the exploration potential in these three planned drilling targets, expressed as GIIP with an associated geological chance of success.

| **Target name** | **Unrisked Volume Potential Gas Initially-In-Place (Bcf) Gross (100%) basis** | | | | **Chance of success** |
|---|---|---|---|---|---|
| | Low | Best | High | Mean | |
| **TE-4 Horst Exploration** | 153 | 260 | 408 | 273 | 36% |
| **SBK-1 Exploration** | 71 | 130 | 225 | 140 | 50% |
| **M5 Exploration** | 332 | 800 | 1728 | 943 | 21% |

Summary table showing the range of Unrisked GIIP, gross, for the Prospects TE-4 Horst, SBK-1 Structure and M5 with the corresponding geological Chance of Success.

# Portfolio Review

## A blended portfolio of gas assets

### Eastern Morocco

Tendrara Production Concession

### Permit Area

The permit in which Sound Energy has a 20% interest is located close to the Gazoduc Maghreb Europe (“GME”) pipeline, approximately 120 kilometres to the North of it. The 522 kilometre-long Moroccan section is owned by the Moroccan State and operated by Office National des Hydrocarbures et des Mines (“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 Argilo-Gréseux Inférieur (‘‘TAGI’’[1]) reservoir within the structural fault block, termed the Tendrara TE-5 Horst, and sealed by the overlying salt. Reservoir characteristics are significantly enhanced by the application of proven hydraulic stimulation techniques to increase gas flow rates.

### Ongoing and Planned Developments

Planned development of our discovered TE-5 gas to address gas demand in a phased manner is progressing, with Phase I being the implementation of a micro-LNG development scheme (currently underway) and a future Phase 2 being the development of a larger scale central processing facility (“CPF”) and gas export pipeline to the GME pipeline.

### Phase 1- Micro LNG Development

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

**Funding is 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 normal cubic metres of gas (approximately 3.5 billion standard cubic feet of gas per year) over a ten-year period.

A binding gas sales agreement and associated funding are in place with Afriquia Gaz, one of the largest LPG distributors in Morocco. There is a ten-year commitment from first gas to sell annual contractual quantity of 100 million Normal 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

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

Lease structure (with option to buy):

- Minimal LNG tank construction capital payments at and from 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 Italfluid on guaranteed daily volume only
- Performance guarantees on plant availability

In March 2025 (post period-end), the Company announced that the mLNG project main contractor, Italfluid, and the operator of the Tendrara Production Concession had agreed to amend their contractual arrangement by terminating the vendor financed lease agreement entered into in 2020 and entering into an engineering, procurement and Construction (EPC) contract. The parties are currently in advanced discussions to agree an operations and maintenance contract.

**Phase 2- Tendrara TE-5 Development**

**Concept – Processed gas flowing to the GME pipeline:**

- 20 inch, 120km Tendrara Gas Export Pipeline ("TGEP")
- Tie-in to existing GME pipeline (Station M04), approved by the GME 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 have been paid
- CPF EIA permit approved
- Gas Sales Agreement ("GSA") with ONEE (Office National de l'Electricité 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. Extended in 2023
- Up to six horizontal wells planned to achieve First Gas (Phase 2)
- Senior debt facility in place with Attijariwafa Bank (which is one of the top banks in Morocco and Africa), and part of the Al Mada Group (the Moroccan Monarchy's holding company) to fund a substantial part of the Phase 2 project. Fully termed and binding senior debt facility in place (subject to fulfilment of certain conditions precedent before FID)

**Exploration**

**Grand Tendrara – two Triassic TAGI discoveries**

**Permit Details**

| | |
|---|---|
| **Area** | 14,411 km$^2$ |
| **Status** | Petroleum Agreement: Exploration |
| **Effective date** | 1 October 2018 |
| **Net interest** | 27.5% |
| **Term** | 8 years |
| **Resource Potential** | Exploration potential in the Triassic TAGI[1] reservoir of 7.52 Tcf gross/2.07 Tcf net (arithmetical sum of mid-case un-risked GIIP[2]) identified in sub-salt concepts, leads and prospects. |

**Permit Area**
Surrounds the Tendrara Production Concession.

The permit in which Sound Energy has a 27.5% interest is located with access to the GME pipeline, situated approximately 120 kilometres to the north of it. The 522 kilometres long Moroccan section is owned and operated by the Moroccan State. The pipeline connects Morocco to Spanish/Portuguese gas grids as well as 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 TAGI gas discoveries exist within the permit area:

- SBK-1 tested by the previous permit 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 TAGI[1] reservoir of 7.52 Tcf gross/2.07 Tcf net (arithmetical sum of mid-case un-risked GIIP[2]) 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 TAGI 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 Tendrara TE-5 Horst gas accumulation and, accordingly, the Company believes this offers potential to develop commercial operations elsewhere in the basin.

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

| | Unrisked Volume Potential Gas Initially in Place (Bcf) | | | | |
|---|---|---|---|---|---|
| | Gross (100%) basis | | | | |
| **Target name** | **Low** | **Best** | **High** | **Mean** | **Chance of Success** |
| **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 Transition and Sustainable Development and the Ministry of Economy and 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.

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 unrisked Gas Initially In Place ("GIIP")

## Anoual

**Permit Details**

| | |
|---|---|
| **Area** | 8,873 $km^2$ |
| **Status** | Petroleum Agreement: Exploration |
| **Effective date** | 8 September 2017 |
| **Net interest** | 27.5% |
| **Term** | 10 years |
| **Resource Potential** | Exploration potential in the Triassic TAGI[1] reservoir of 11.51 Tcf gross/3.17 Tcf net (arithmetical sum of mid-case un-risked GIIP[2]) identified in sub-salt concepts, leads and prospects |

### Permit Area

The permit in which Sound Energy has a 27.5% interest is located with 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 Spanish/Portuguese gas grids as well as Moroccan gas-fired power stations.

### Geology

Only one well drilled across the entire area. The primary reservoir is the Triassic TAGI[1] 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 TAGI reservoir of 11.51 Tcf gross/3.17 Tcf net (arithmetical sum of mid-case un-risked GIIP[2]) identified in sub-salt concepts, leads and prospects.

### Future Developments

"M5" prospect high graded for drilling a TAGI[1] 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:

| | Unrisked Volume Potential Gas Initially In Place (Bcf) | | | | |
|---|---|---|---|---|---|
| | Gross (100%) basis | | | | |
| **Target name** | **Low** | **Best** | **High** | **Mean** | **Chance of Success** |
| **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 unrisked Gas Initially In Place ("GIIP")

## Sidi Moktar

| **Permit Details** | |
|---|---|
| **Area** | 4,712 $km^2$ |
| **Status** | Petroleum Agreement: Exploration |
| **Effective date** | April 2018 |
| **Net interest** | 75% |
| **Term** | 10 years |
| **Resource Potential** | Unrisked exploration potential of 8.9 Tcf gross/6.68 Tcf net (arithmetical sum of mid-case un-risked GIIP[2)] following interpretation of the historical 2D seismic identified in sub-salt leads |

### Permit Area

The permit 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 reservoirs.

Strategically, the Company has shifted its focus on the Sidi Moktar area towards what it believes has the potential to be the most significant opportunity amongst the deeper Triassic TAGI[1] 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 Moktar permit and that the work programme for the initial period of the Sidi Moktar permit remained unchanged.

### Geology

There is initial un-risked exploration potential of up to 8.9 Tcf gross/6.68 Tcf net gas (arithmetical sum of mid-case un-risked GIIP[2]) 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 the basis of 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. 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 unrisked Gas Initially In Place ("GIIP")

# Micro LNG Project Review

## Progress in 2024

Sound Energy is a pioneer in Morocco in establishing an onshore small scale LNG solution providing gas to the local market, assisting Moroccan industry in its energy transition, reducing the use of more polluting fuels and $CO_2$ emissions.

The micro LNG project involves three main parties:

- Afriquia Gaz is responsible for taking the LNG produced by the facility to customers located in Morocco. This will be achieved by the use of a dedicated fleet of LNG transport trucks. The majority of customers are located on the Atlantic seaboard of Morocco some 1000 km to the west of the Tendrara field.
- Italfluid GeoEnergy (Italfluid) is responsible for the design, construction, commissioning, operation and maintenance of the gas processing and liquefaction plant. Post period end, Italfluid contract changed from a vendor finance lease agreement to a standard engineering, procurement and contraction contract.
- Sound Energy and its Concession partners, including Managem and ONHYM, are responsible for the delivery of the following aspects of the project. Firstly, the raw gas gathering system from the wells TE-6 and TE-7 to the mLNG facility, including the re-completion and upgrade of the wells. Secondly, the construction of the access road to the facility for the LNG transport trucks. Thirdly, the drilling of a third production well (TE-112) to be scheduled post first gas production.

On behalf of the Concession partners, Sound Energy released the Notice to Proceed (NtP) to Italfluid on 15 February 2022. The original target is to start LNG production in 2024. Since the NtP there have been significant supply chain disruptions and cost escalation due to the events, principally the war in Ukraine and Middle East, global inflation as a result of the COVID pandemic and the resultant effect on global supply chains. These combined factors have placed significant scheduling and cost pressures on the contractor Italfluid and the project delivery.

Sound Energy worked in 2024 with its project partners to mitigate the effects of external global events to ensure that the project can progress safely. Most of the components of the mLNG facility are now manufactured and are either already located in Morocco (Power Generation Equipment and Storage Tank) or are ready to be shipped from the different workshops located around the world (USA, Asia and Europe). For instance, one of the key liquefaction equipment (ColdBox) is on its way to Site. Italfluid confirmed to the new Operator Managem that several other elements should arrive at site in the 1st quarter of 2025. The new operator plans to start LNG production by the end of 2025, provided that no major event occurs and impacts the plant readiness schedule.

The LNG storage tank is now at the final stage of construction at site and is expected to be tested before the end of Q1 2025.

The construction of the access road was completed in 2024. The production wells of TE-6 and TE-7 required specialised metallurgy for the production completions prior to long term gas production and were upgraded with Cr13 steel tubing and are now ready to produce. The last operation of well clean-up is planned in the 1st half of 2025. The gas gathering system was fully designed in 2024 and the procurement has been started. All pieces of equipment (Heater, valves, composite pipeline, instrumentation, etc.) should be delivered on site as well in the 1st half of 2025.

## Operational progress

2025 is a key year for the project when LNG starts being produced and delivered to the offtaker Afriquia Gaz.

Since the completion of the sale of SEME to Managem SA in December 2024, SEME has changed its name to Mana Energy Limited and continues to be the operator of the Tendrara Production Concession.

In order to ensure a smooth handover and ensure that operations continue uninterrupted, Sound Energy and Managem SA entered into a Transition Services Agreement (TSA), under which (the former) Sound Energy COO, Mohammed Seghiri, was temporarily seconded to the Operator prior to joining them on a full-time basis. Under the TSA, Sound Energy is to provide support services to the Operator in different areas (e.g. geology, HSE, IT systems) till June 2025.

The following significant activities are scheduled for 2025:

1. **Clean up operation of wells TE-6 and TE-7**
2. **Connecting the wells to the mLNG plant**
3. **Delivery, installation and connection of mLNG plant processing packages**
4. **Commissioning of the mLNG plant**
5. **Commencement of LNG sales**

# Financial Review

### Income Statement

The pre-tax loss for the year from continuing operations was £150.8 million (2023: £7.2 million). The loss for the year primarily relates to an impairment loss of approximately £122.0 million recognised during the year. In light of the sale of SEME to Managem SA, the Company was required to compare the carrying value of its intangible and development assets with the fair market value (less cost of disposal) which led to the recognition of the impairment loss. Loss on discontinued operations amounted to approximately £24.2 million after taking account the cash consideration received of £10.2 million and deferred consideration of £20.7 million. The deferred consideration represents the fair value of up to $24.5 million net carry through Managem SA funding of the Group's remaining 20% interest in future Concession Phase development, $1.5 million payable to the Group no later than one year after first gas from Concession Phase 2 development, $3.6 million net carry through funding the Group's remaining 27.5% Grand Tendrara permit interest in drilling exploration well and $2.6 million net carry through funding the Group's remaining 27.5% Anoual permit interest in drilling an exploration well.

Administrative costs at £4.6 million were higher than 2023 administration costs (£2.3 million) reflecting an increase in activities related to the divestment, non-cash excess of par value of shares issued over the fair value and increase in staff costs.

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

### Cash Flow/Financing

Cash inflow from disposal of SEME, net of cash sold with the subsidiary amounted to approximately £9.2 million.

Proceeds from borrowings were approximately £5.8 million (2023: £4.4 million) and interest paid amounted to approximately £1.2 million (2023: £0.4 million). The Company commenced payment of interest on the Afriquia loan facility from Q2 2024 and the total interest paid during the year relating to this facility amounted to £0.6 million.

In Q3 2024, the Company entered into a short-term bridge financing facility with a high-net-worth investor for up to £1.5 million, available for three months and any amount drawn down attracted interest of 15% per quarter. The Company made drawdowns amounting to £1.1 million which attracted interest of £133,000. The principal and interest amounts were repaid in December 2024. The Company also repaid £0.25 million, being the remaining principal element of the convertible bond, leaving approximately £0.6m of accrued interest outstanding.

Financing costs during the year were £2.3 million (2023: £1.9 million), primarily due to the amortised costs of the Company's Euro denominated loan notes, the US dollar Afriquia loan facility and unwinding of discount related to convertible bonds, net of interest capitalised to the development and exploration permits of £0.2 million (2023: £0.3 million). The increase in finance costs arose principally due to a further $6.0 million drawdown from the Afriquia facility.

The Group spent £5.4 million (2023: £2.9 million) on investing activities during 2024 primarily related to the Group's Micro-LNG project with the balance relating to expenditure on the Group's exploration permits in Morocco and capitalised general and administrative expenses.

## Balance Sheet

As at 31 December 2024, the carrying amount of property, plant and equipment was £10.5 million (2023: £157.9 million), primarily related to the development and production assets in Morocco with a carried value of £10.5 million (2023: £157.8 million). The decrease from the previous year is primarily due to the impairment loss recognition and disposal of SEME.

Intangible assets, with a carrying amount of £14.1 million (2023: £35.0 million), primarily relates to the Group's investment in its exploration permits in Morocco. The decrease from previous year is primarily due to the disposal of SEME.

Non-current prepayments of £1.5 million (2023: £5.1 million) relate to the Group's Phase 1 mLNG project.

Deferred consideration receivable of £21.0 million relates to the elements of SEME disposal consideration receivable in the future as described under the income statement section. The carrying amount on the balance sheet includes the effect of foreign exchange movements.

Other receivables, amounting to £3.2 million (2023: £0.9 million), are primarily related to the amount receivable for services provided by the Company supporting the joint operations and cash calls paid in advance of work being undertaken on our Morocco permits and recoverable VAT.

Trade and other payables amounting to £3.7 million (2023: £2.5 million) primarily related to accruals for advisers' fees in respect of the SEME disposal, staff costs accrual and accruals for operations in the Group's permits in Morocco.

During 2024, the Company issued 117,500,000 ordinary shares following the conversion of £1,175,000 of accrued interest by convertible bonds holders.

## Going Concern

As detailed in note 1 on page 71, the Company's cash flow forecasts, for the next twelve-month period to April 2026, 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 regarding the Company's ability to continue as a going concern.

**Garry Dempster**
Chief Financial Officer

# S172 statement

### Directors' Statement under Section 172 (1) of the Companies Act 2006

Section 172 (1) of the Companies Act 2006 obliges the directors to promote the success of the Company for the benefit of the Company's members as a whole.

**The section specifies that the directors must act in good faith when promoting the success of the Company and, in doing so, have regard (amongst other things) to:**

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationship with suppliers, customers and others;

d. the impact of the Company's operations on the community and environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the Company.

The Board of Directors is, collectively, responsible for the decisions made towards the long-term success of the Company and details of how the strategic, operational and risk management decisions have been implemented throughout the business are included in the Strategic Report on pages 2 to 32.

### Employees

Our employees are a primary asset of our business, and the Board recognises that our employees are the key resource that enables the delivery of the Company's vision and goals. Annual pay and benefit reviews are carried out to determine whether all levels of employees benefit equally, and to retain and encourage skills vital for the business. The Remuneration Committee oversees and makes recommendations for Executive remuneration and long-term share awards. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business. The Board, periodically, reviews the Health, Safety, Security and Environmental measures implemented on the business premises and improvements are recommended for better practices.

Employees are informed of the results and important business decisions and are encouraged to feel engaged and to improve their potential.

### Suppliers, customers and regulatory authorities

The Board acknowledges that a strong business relationship with suppliers and customers is a vital part of growth. Whilst day to day business operations that consider suppliers and customers are delegated to the Executive management, the Board sets directions and evaluates policies with regard to new business ventures and investing in research and development. The Board upholds ethical business behaviour and encourages management to seek comparable business practices from all suppliers and customers doing business with the Company. We value the feedback we receive from our stakeholders, and we take every opportunity to ensure that, where possible, their wishes are duly considered.

### Community and the Environment

The Board upholds high standards of care towards the community and environment and is conscious of the fact that the nature of the Company's business requires strong measures to protect the environment. At its meetings, the Board receives HSSE updates from the HSSE Committee and considers the impact of the Company's operations on the environment and the neighbouring Community. The Company provides training and employment opportunities to members of the communities in the areas in which it operates.

### Maintaining High Standards of Business Conduct

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the “QCA Code”) and is aware of the updates to the QCA code made in 2023 which will apply to the Company from 1 January 2025. The Board recognises the importance of maintaining a good level of corporate governance, which, together with the requirements to comply with the AIM Rules, ensures that the interests of the Company’s stakeholders are safeguarded. Anti-corruption and anti-bribery training are compulsory for all staff and contractors, and the anti-bribery statement and policy are contained in the Company’s Employee Manual. The Company’s expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and corruption by anyone related to the Company.

The importance of making all staff feel safe in their environment is maintained and a Whistleblowing policy is in place to enable staff to confidentially raise any concerns freely, and to discuss any issues that arise. Strong financial controls are in place and are well documented.

### Shareholders

The primary communication tool with our shareholders is the Regulatory News Service (“RNS”) on regulatory matters and matters of material substance. The Company’s website provides details of the business, investor presentations, and the Board and Board Committees, changes to major shareholder information, QCA Code disclosure and updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to keep abreast of the Company’s affairs. The Company’s Annual Report and Notice of Annual General Meetings (“AGM”) are available to all shareholders. The Interim Report and other investor presentations are also available for the last six years and can be downloaded from our website.

There are opportunities throughout the year for shareholders to meet with the Board and members of the Executive team, through general meetings, investor events and the Company’s Q&A sessions as well as e-mail directed questions.

The Board acknowledges that encouraging effective two-way communication with shareholders encourages mutual understanding and better connection with them. The benefits include improved transparency of information on the business and its performance, appropriate consideration of all shareholders’ views, and instilling trust and confidence to allow informed investment decisions to be made by the Board.

# Sustainable and Responsible Business

In 2023 we defined the metrics we measure to demonstrate our commitment to the outcome of the ESG materiality assessment we undertook against the United Nations Sustainable Development Goals.

In 2024 we began to track the metrics we set the previous year.

## Environmental

### *$CO_2$ Emissions*

347 m3 of diesel was used within our operations in 2024, which corresponds to 936 tCO2e. Our diesel consumption was primarily from heavy plant and equipment used in the mLNG facility civil construction / ground works, dozers, graders, compactors and the well workover operations on TE6 and TE7 completed by Star Valley 101.

### *Environmental Impact Assessment Monitoring*

Our Tendrara mLNG development project has an Environmental and Social Impact Assessment and PSSE (Program de Surveillance et de Suivi Environmental) approved by the Moroccan Ministry of Energy Transition and Sustainable Development. Our environmental consultant in Morocco, Resing, conduct monthly compliance audits of the approved environmental management plan.

## Social

### *Local Content*

Our workforce in Morocco including subcontractors are over 98% Moroccan nationals. We try to use local labour and supply chains wherever we can.

### *Stakeholder Engagement*

We record the number of stakeholder engagements with the local authorities and representatives in the area in which are impacted by our operations.

During 2024 we provided running water supply to the local school in Tendrara.

*Community Grievances*

We received no grievances from the local community in which we operate in 2024. If any grievances were to occur, we a have a process involving the local authorities to ensure a satisfactory resolution.

*Local Community Monitoring*

As the area in which we operate is inhabited by semi-nomadic herders we regularly monitor the movements of the local population to ensure our operations are not having a detrimental effect on the local population.

## Governance

### *Compliance Training and Compliance Risk Assessments*

In 2024 we conducted internal training with our staff covering:

- Whistle Blowing Policy
- Securities Dealing Code
- Statement of Ethics
- Anti Bribery and Corruption

All our contracts include clauses that require the highest ethical behaviour from our contractors.

## Health, Safety, Security and Environment

### 2024 Overview

2024 saw a significant increase in operational activity at Tendrara with a 25% increase in working hours. Italfluid along with their subcontractors Cryospain and Fratelli Met made significant progress on the LNG storage tank construction completion of the inner stainless-steel tank. TIEC, our civil engineering contractor completed the 8km site access road to permit the LNG transport tankers to access the site. Star Valley rig 101 recompleted gas wells TE6 and TE7 with corrosion resistant production tubing in preparation of commissioning and production operations.

### Health

Field medical support is assured by the constant presence of a doctor and ambulance working from a fully equipped emergency medical clinic at Tendrara to cover our remote area operations. Medical fitness for work certificates are required for all personnel working in Tendrara.

### Safety

We closely monitor all the safety aspects of our operations at Tendrara. All subcontractors are required to have dedicated safety personnel and adhere to site control of work processes.

In October 2024 we unfortunately had a Lost Time Incident occur when a contractor jumped from an uncertified scaffold causing a fracture to his lower leg. This incident resulted in a Lost Time Frequency Rate of 4.95 at the end of 2024 (6.45 2023).

### Security

One security review visit was conducted in 2024. Frequent liaison with local security authorities in the area is conducted and we have day and night access control and overwatch of our assets in Tendrara. The security situation in Morocco remains stable with no threats to Sound Energy assets in country.

### HSSE Reporting Data

We gather a range of HSSE data and aim for continuous improvement by setting objectives following our annual HSSE performance review.

**Total Man-hours 2024 – 201,986 (2023: 155,553)**
**Sound Energy & Contractors**

**HSSE Data**

### 1. Lagging Indicators - Incidents

| | **2024** | 2023 |
|---|---|---|
| **Fatality** | **0** | 0 |
| **Lost Time Injury** | **1** | 1 |
| **Restricted Work Case** | **0** | 0 |
| **Medical Treatment Case** | **0** | 0 |
| **First Aid Case** | **1** | 2 |
| **Property Damage** | **1** | 2 |
| **Environmental Incident** | **0** | 0 |
| **Near Miss** | **3** | 2 |
| **High Potential Incident** | **3** | 1 |
| **Lost Workdays** | **1** | 10 |

Lagging indicators show similar results to 2023 despite having worked 25% more hours.

### 2. Leading indicators

| | **2024** | 2023 |
|---|---|---|
| **Audits & Inspections** | **877** | 284 |
| **HSSE Meetings** | **44** | 24 |
| **Inductions** | **302** | 86 |
| **Emergency Drills** | **25** | 9 |
| **Job Safety Analysis** | **507** | 540 |
| **Toolbox Talks** | **694** | 372 |
| **SHOC Cards** | **297** | 209 |
| **Management Tours** | **3** | 3 |

Leading indicators showed a significant improvement in 2024 in comparison to 2023.

### 3. Environmental Data

| | **2024** | 2023 |
|---|---|---|
| **Diesel Consumed ($m^3$)** | **347** | 118 |
| **Water Consumed ($m^3$)** | **13,148** | 13,740 |
| **Total Barrels Spilled** | **0** | 0 |
| **$CO_2$ Produced ($tCO_2e$)** | **936** | 317 |

No environmental incidents occurred in 2024. The increased levels of consumption are associated with the increased activity at site.

## Principal Risks and Uncertainties

Risk management is a key component of the Company's Control Framework and is a cornerstone element in enabling the delivery of the Group's strategy and delivering long-term value to shareholders. The Board, its Committees and the Executive team are actively engaged in assessing the Company's risk appetite as well as managing both risks and opportunities to and for the Group.

### Definition of Risk

Risk is defined as a potential future event that may influence the achievement of business objectives. This includes both "upside" (opportunity) and "downside" (threat) risks. Risks and opportunities can come from a variety of sources and can be directly related to the Company's operational and commercial activities and support functions, or they can arise externally, from third parties such as joint venture partners, suppliers, regulators, competitors and from the economic environment or political climate.

### Risk Management

The Group operates to ensure that risks are identified, understood, agreed, communicated and acted upon in a timely and consistent manner. It enables informed resource allocation and the delivery of expected results by providing a structured way to foresee the unexpected and be prepared for it. The main objectives for the Group risk management system are:

- Support the achievement of business objectives and safeguard Company assets;
- Integrate consistent risk management methodology into key business processes;
- Create a risk-aware culture in which staff actively identify and respond to risks and opportunities; and
- Ensure compliance with legal, regulatory, and ethical requirements.

### Identifying Risk and Ownership

Risk management is actively promoted from both a top-down and bottom-up approach through which all individuals in the organisation are empowered to highlight risks and opportunities to the business. All agreed risks are allocated to an individual risk owner with mitigations and actions followed up through monthly reporting to the Senior Leadership team and bi-annual reporting to the Audit Committee. Our principal risks have been categorised as strategic, operational and financial, although many risks impact more than one aspect of the business.

### Changes to Risks in the Year

Several factors have impacted the Company risk register through 2024.

### Removed or Changed:

Facilities Funding and Failure of proposed Eastern Morocco farm-out risks (removed following completion of sale of Sound Energy Morocco East Limited to Managem SA).

| Risk | Impact | Control measure | Owner |
|---|---|---|---|
| **1 Limited diversification**<br>The Company operates in a single country and thus the business may be significantly adversely impacted by political, fiscal and regime changes. The Company portfolio is not currently balanced across the oil and gas lifecycle | • Profitability and cash flow<br>• Increased risk profile<br>• Limited platform for growth<br>• Reduced appetite for investment in the Company | • Build strong relationships with partners, advisors, governments, local authorities, local population and other stakeholders<br>• Active new business development programme<br>• Working with financial advisor to screen opportunities | Chairman |
| **2 Reservoir uncertainty** | • Exploration play risk in relation to basin understanding, reservoir distribution and effectiveness. Hydrocarbon volume available to charge the structures in the basin, in order to deliver the exploration potential across our exploration permits<br>• Reservoir distribution and effectiveness, hydrocarbon saturation and H2S risk in respect of Jurassic carbonate reservoirs in Sidi Moktar | • Comprehensive geophysical surveying, data analysis, and modelling integrated with geological and reservoir engineering studies to improve reservoir understanding throughout the basin<br>• Independent resources certification | Chairman |
| **3 Share price weakness** | • Vulnerability to hostile takeover at materially less than asset value<br>• Difficulty raising finance to support and grow business | • Strengthen investor appetite and share price through delivery of business plan, diversification and growth | Chairman |
| **4 Major HSSE event** | • Loss of life or injury to personnel<br>• Environmental impact<br>• Reputational damage<br>• Exposure to litigation<br>• Financial and operational losses | • Highly skilled, competent, and qualified personnel and subcontractors. Training provided as required<br>• Management and Board commitment. Experienced corporate HSSE Manager<br>• Robust operational HSSE processes and procedures<br>• HSSE Committee reviews and regular HSSE meetings and engagements<br>• Insurance cover | Chairman |

| Risk | Impact | Control measure | Owner |
|---|---|---|---|
| **5 Loss of, or inability to secure, key personnel** | • Loss of shareholder confidence<br>• Lack of direction and leadership within the Company<br>• Loss of expertise and knowledge<br>Unable to secure required expertise to deliver the work programme | • Competitive remuneration package in place for key Executives, benchmarked relative to the market<br>• Succession planning<br>• Programme to identify and source additional expertise as and when required<br>Resourcing partnership models with key suppliers e.g. drilling services | Chairman |
| **6 Insufficient funds to operate and sustain the business** | • Capital constraints due to insufficient funding of work programme, potential impact to long-term viability of business<br>• Insufficient working capital to sustain the business as a going concern | • Active engagement with capital markets and financing streams to raise capital<br>• Long-term cash flow management<br>• Finances are controlled through annual planning process with regular forecast updates. Monthly MI measures performance against plan<br>• Risk transfer through farm-ins, joint ventures and/or partnering funding arrangements<br>Active contract management and tracking for main contracts | Chairman |
| **7 Capital project cost inflation** | • Delay in implementation of Phase 1 and Phase 2 developments<br>• Diminution in value of capital projects due to cost escalation and additional project management | • Monitor and maintain contractual arrangements<br>• Apply disciplined cost control and project management<br>• Explore contingent funding options | Chairman |

| Risk | Impact | Control measure | Owner |
|---|---|---|---|
| **8 Delayed execution of Phase 1** | • LNG SPA exposure due to late delivery (potential penalties)<br>• Delayed revenues due to delayed gas sales | • Regular monthly reporting and contract management<br>• Close collaboration with gas buyer and key suppliers<br>• Effective project management in place | COO |
| **9 Failure to satisfy exploration permit commitments** | • Delay or inability to unlock exploration and appraisal potential within Moroccan portfolio<br>• Penalties for inability to satisfy permit commitments | • Active farm-out discussions ongoing to seek a partner<br>• Close collaboration with ONHYM to extend or amend permit terms<br>• Effective project management in place | COO |
| **10 Escalation of tensions with Algeria in border area** | • Potential for escalation to reduce investment appetite, delay projects, harm people | • Actively monitor geopolitical events<br>• Emergency evacuation plan in place and communicated to key personnel | COO |

The Strategic Report was approved by the Board of Directors on 9 April 2025 and signed on its behalf by:

**Graham Lyon**
Executive Chairman

# CORPORATE GOVERNANCE

## Chairman's Corporate Governance Statement

**Dear shareholders**

As Executive Chair of the Company, I am responsible for ensuring that high standards of governance are upheld. This involves working closely with my fellow Board members to foster a culture of strong corporate governance throughout the organisation, instilling positive values and behaviours. My role is to lead the Board and ensure its effectiveness in driving the Company's governance. We have established a robust and effective corporate governance framework, which is implemented across all levels of the business, from the Executive team down.

This report, along with the reports from the Audit, HSSE, and Remuneration & Nomination Committees, reflects our ongoing commitment to upholding high standards of governance.

The Company follows the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code'), which we believe is the most suitable governance framework for a Company with shares listed on the AIM market of the London Stock Exchange. The QCA Code provides us with the structure needed to maintain an appropriate level of governance and embed a strong governance culture throughout the organisation, contributing to the development of a successful and sustainable business for all stakeholders. The Board are fully aware of the updates made to the QCA Code in 2023 and we have sought to align with its revised principles, as far as possible, as outlined on page 35.

The success of the business relies on a united Board that works to deliver value to shareholders while maintaining a strong focus on employee welfare, safety, corporate governance, and environmental responsibility. We place great importance on our relationship with shareholders and value their engagement. The Board ensures opportunities for investors to connect with both the Board and Executive Directors, offering a mix of virtual and in-person meetings. This year, we hosted live Q&A sessions, recorded video interviews, and organised a face-to-face meeting with shareholders after the AGM, which saw approximately 50 attendees.

We enjoyed meeting with our shareholders and stakeholders in person at our AGM and look forward to doing this again in 2025.

**Graham Lyon**
Executive Chairman

# QCA Code Principles

## Introduction

The Board of Directors understands the critical role of effective corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code") as the most appropriate framework for a company listed on the AIM market of the London Stock Exchange. The Board believes the QCA Code offers a solid foundation to uphold strong governance practices, fostering a culture that supports the Company's long-term success and sustainability for the benefit of all shareholders.

The QCA Code, as updated in 2023, outlines ten principles of corporate governance, which the Company is required to adhere to and to make certain disclosures both within this report and on its website. This has been updated to comply, as far as possible, with the 2023 QCA Code. The Company's website disclosures can be found under the Aim Rule 26 section of the Company's website.

These principles are:

| QCA Code Principle Number | QCA Code Principle | Disclosure |
|---|---|---|
| One | **Establish a purpose, strategy and business model which promotes long-term value for shareholders** | a) Explain the Company's purpose, business model and strategy including key challenges in their execution. |
| **Comment** | | |
| a) See the Strategic Report on pages 10 to 11 and the Company's website.<br><br>The Company's purpose is to create Value for Shareholders working with Stakeholders through exploring, developing and producing energy. | | |
| Two | **Promote a corporate culture that is based on ethical values and behaviours** | a) Describe the desired company culture within the strategic report. How is the desired corporate culture supportive of the Company's purpose, strategy, and business model? How is the tone from the top (board, chief executive, and senior management) supportive of this culture? How does the board assess and monitor corporate culture and how were any actions which notably deviated from what is expected addressed? |
| **Comment** | | |
| a) The directors are committed to delivering shareholder value in an ethical, safe and respectful manner. These values and behaviours are applied across the Board and the Company as a whole. The Board is mindful of the industry and jurisdictions in which the business operates in and takes all issues of ethical behaviours seriously. These behaviours are instilled throughout the organisation. The importance of delivering success in a safe environment is never undermined.<br><br>Governance structures and processes that are fit for purpose and support good decision-making by the Board are maintained. Policies, procedures are in place moreover best practice is supported.<br><br>Issues of bribery and corruption are taken seriously, the Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and those third parties with which the business engages with. The policy is provided to staff upon joining the business and training is provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. Each employee is required to sign an agreement to confirm that they will comply with the policies. Annually staff are provided with refresher courses to ensure that the issues of bribery and corruption remain at the forefront of people's minds. There are strong financial controls across the business to ensure on going monitoring and early detection.<br><br>A whistleblowing policy is in place, which enables staff to raise any concerns in confidence. The Senior Independent Director ('SID') has assumed the role of whistleblowing officer. | | |

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| Three | **Seek to understand and meet shareholder needs and expectations** | a) Describe the shareholder engagement activities, including the topics discussed and actions taken in response. |
| | | b) Provide appropriate quantitative and qualitative reporting of a company's environmental and social matters to meet investor needs and expectations. |

**Comment**

a) Copies of our Annual Report, Notice of Annual General Meetings (AGM) and the interim report are available to all shareholders and can be downloaded from the investors section of our website.

We engage with shareholders through updates to the Market via regulatory news flow ("RNS") on matters of a material substance and regulatory nature.

Our AGM is an annual opportunity for shareholders to meet with the Board and the executive team and to receive a full update on the Company's business and strategy. All shareholders are provided with an opportunity to ask questions and raise issues during the formal business or more informally following the meeting. At the AGM, separate resolutions are proposed on each substantial issue. For each proposed resolution, shareholders are provided with an opportunity to vote in advance of the AGM by proxy if they are unable to vote in person. Our registrars, MUFG Corporate Markets count the proxy votes which are properly recorded, and the results of the AGM are announced through an RNS.

The Board is keen to ensure that the voting decisions of shareholders are reviewed and monitored and that approvals sought at the Company's AGM are as much as possible within the recommended guidelines of the QCA Code.

The Company, where appropriate, aggregates shareholder queries and answers periodically (whilst maintaining diligence on MAR restrictions on inside information and within the requirements of the AIM Rules for Companies). The Company undertakes from time to time, around significant activity announcements, Investor events to engage with all stakeholders via Question and Answer sessions online and occasionally in person.

Shareholders with queries should email Chairman@soundenergyplc.com or Sound@Flagstaffcomms.com

b) Please see page 26 to page 29 on ESG.

| | | |
|---|---|---|
| Four | **Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success** | a) Describe the environmental and social issues that the board has identified as being material to the company with reference to its purpose, strategy, and business model. |
| | | b) Set out any relevant associated KPIs that are used for tracking performance on such matters and, where relevant, key forward-looking targets that have been established. |

**Comment**

a) The Board reviews its carbon footprint and takes steps to mitigate wherever possible. The $CO_2$ content of the natural gas is expected to be extracted and sold. Social engagement with remote local communities supports the right to operate.

The Board identified a number of environmental and social aspects that the company's business materially may impact using the UN Sustainability Goals model. These aspects are monitored and reported upon on a monthly basis and reviewed at every Board meeting.

| | |
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| b) | b). The Board at year end reviews company performance against a set of Key Performance Indicators (KPIs) to establish, if any, year-end bonus is to be awarded. The KPIs follow key value creating aspects of the business and include for 2025, role as non-operator, initiating exploration, balance sheet strengthening, establishing growth opportunities and share price appreciation.<br><br>The Board approves annual Key Performance Indicators for environmental and social aspects. These KPIs form a key element of overall company performance and are directly linked to staff renumeration. |

| | | |
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| Five | **Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation** | a) Describe how the Board has embedded effective risk management, internal controls and assurance activities in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective. |
| | | b) Risk and control information should be disclosed as required in the strategic report and corporate governance statements, including the non-financial reporting narrative. |
| | | c) Explain the Company's governance around climate-related risks and opportunities; the process for identifying, assessing and managing climate-related risks and how these processes are integrated into the Company's overall risk management framework. |
| | | d) Explain how the audit committee has monitored and formally considered auditor independence during the corporate reporting cycle. |
| **Comment** | | |
| a) The Company's approach to the management and identification of risk is set out in the Risks section of the Strategic Report on page 30.<br><br>The Company encourages a culture of risk awareness and management at all levels throughout the Company. Systems are in place to record and recognise potential risk and establish mitigation strategies. Risks are reviewed by the Audit Committee and by the Board at every Board meeting.<br><br>Through the HSSE and Audit Committees and the feedback provided by these committees to the Board via verbal and/or written reports and accessible minutes, the Board maintains a full and active awareness of operational and financial risks and the assurances that effective control systems are in place.<br><br>The Board reviews and tracks the Risk Register and management of issues at each Board meeting. A review of potential risks and mitigation is embedded in each formal Board meeting. | | |
| b) See Risk section of the Strategic Report on pages 30 to 33. | | |
| c) The Company tracks and records its emissions. The Company uses design engineering in project sanction to mitigate, limit and or recover wherever possible climate-related emissions.<br><br>The Company assesses climate related risk and opportunities seeking to reduce risk and take advantage of opportunities. Please see page 26 of the Strategic Report. | | |
| d) The Audit Committee formally assesses the independence of the Company's auditors on an annual basis. | | |
| Six | **Establish and maintain the board as a well-functioning, balanced team led by the chair** | a) Identify each director and describe the relevant experience, skills, and capabilities that each director has brought to the board's agenda during the year. |
| | | b) Explain how the board contains (or will contain) the necessary mix of experience, skills, and capabilities – including with reference to diversity characteristics |

| | | |
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| | | c) Identify those directors who the board considers to be independent; where there are grounds to question the real, or perceived independence of a director, this must be explained. |
| | | d) Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors) and any restrictions on both executives and non-executives with respect to assuming external roles. |
| | | e) Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director. |
| | | f) Where performance-related remuneration for non-executive directors has been introduced, the company must disclose how it has consulted its shareholders and how their support was obtained. |

| **Comment** |
|---|
| a) Information on each of the directors as of 9 April 2025 is provided on pages 42 to 43. All their details can be found on the Company's website.<br><br>Although the QCA Code recommends that all directors be presented for re-election annually, the executive directors of the Company, given its current small size, considers this approach inappropriate at this stage. Frequent re-elections could disrupt leadership continuity, which is crucial for a small company navigating growth or strategic changes. However, this decision will remain under review. |
| b) The Board of directors covers a wide range of experience and skills. The Board has significant international, industrial, financial, and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term.<br><br>Each of the directors on the Board, Executive and Non-Executive directors ("INEDs") have considerable experience and all have demonstrated skills which are complementary, independent and sufficient to cover all of the requirements of the Board. |
| c) The Board, as of 9 April 2025, comprises of an Executive Chairman and two INED's (considered independent in terms of character and judgement). The Company is mindful of diversity although Board appointments are made with the primary aim of ensuring that the candidate offers the required skills, knowledge and experience.<br><br>For full background refer to pages 42 to 43 and the Company's website. |
| d) The executive directors are expected to devote substantially the whole of their time to their duties with the Company. NED's have a lesser time commitment which is set out in their letter of appointment.<br><br>There is no formal policy restricting the directors' external appointments, save appointments to direct competitors, however each director discusses with the Chairman any proposed additional appointments prior to being appointed and it is presented to full Board for approval. |
| e) See page 45. |
| f) NEDs are not awarded any performance related pay. |

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| Seven | **Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up to date experience, skills and capabilities** | a) Explain how each director keeps their skillset up to date, setting out how the company provides the necessary resources for updating and developing each director's knowledge and skills. |
| | | b) Set out any board sub-committees that have been established to facilitate more focussed discussions and/or oversight of particular subject matters. |
| | | c) Where the board or any committee has sought external advice on a significant matter, this must be described and explained. |

<table>
<tr><td></td><td></td><td>d) Where external advisers to the board or any of its committees have been engaged, explain their role.</td></tr>
<tr><td colspan="3">Comment</td></tr>
<tr><td colspan="3">a) The Board is kept abreast with developments of governance and AIM regulations. The Company Secretary and Company’s lawyers provide updates on governance issues and the Company’s NOMAD provides regular board AIM Rules refresher training as well as the initial training as part of a new director’s onboarding.<br><br>The directors have access to the Company’s advisers as and when required and are able to obtain advice from other external bodies when necessary.</td></tr>
<tr><td colspan="3">b) The Audit Committee assists with the Board’s oversight of the integrity of the financial reporting and the independence and performance of the Company’s Auditor.<br><br>The HSSE Committee is primarily focused on ensuring that the HSSE policies are adopted and applied across the Company. The meeting is attended by the HSSE Manager, who is accountable to the Committee on HSSE matters across the Company.<br><br>The Remuneration and Nominations Committee consider all material elements of remuneration, including the executive directors’ remuneration and performance. In addition, the Committee meets as and when required to consider matters related to succession planning and new nominations to the Board.</td></tr>
<tr><td colspan="3">c) During 2024, the Board have used some external professional advisers in respect of various segments of its business where it was felt that external advice was required. This has included specific tax advice in support of material subsidiary disposal and Moroccan tax codes and employment law advice as and when required.</td></tr>
<tr><td colspan="3">d) The directors have access to the Company’s Nominated Advisor, Company Secretary and lawyers and are able to obtain advice from other external bodies as and when required.<br><br>The management team and directors are in regular dialogue with the Company’s Nominated Adviser. The Nominated Adviser provides ongoing advice on matters pertaining to the Company’s compliance with the AIM Rules for Companies.<br><br>The Company Secretary advises on corporate governance, arranges, attends and minutes all Board and committee meetings. The Company Secretary works closely with the Executive Chairman/CEO, all Board members, and advisors of the Company as and when required.<br><br>Lawyers are engaged to provide legal advice when required by the management team and by the Board or committees.</td></tr>
<tr><td>Eight</td><td>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</td><td>a) Include a high-level explanation of the board performance effectiveness process.</td></tr>
<tr><td></td><td></td><td>b) Set out when the last externally facilitated board review took place and when the next one is planned for. Where an externally facilitated review has not taken place and there are no plans to have one, this must be explained.</td></tr>
<tr><td></td><td></td><td>c) Where a Board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.</td></tr>
<tr><td></td><td></td><td>d) Provide an outline description of the succession planning process including any indicative timelines for expected appointments (to the extent practicable).</td></tr>
<tr><td colspan="3">Comment</td></tr>
<tr><td colspan="3">a) The directors studiously consider the effectiveness of the Board, Committees and individual performance. In 2022, the Company conducted a Board evaluation review whereby the Board undertook an anonymous survey facilitated by AMBA Company Secretarial Servies Limited (AMBA). The confidential questionnaires covered key areas such as risk management and internal controls, strategic oversight, Committees of the Board and Board support and administration. It enabled the directors to consider the functioning of the Board both within the Board room and the relationships of the non-executive and executive directors. The area of Board composition continues to be monitored. It is planned that an evaluation shall be carried out every few years to ensure that the Board continues to function as effectively as possible.</td></tr>
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| | |
|---|---|
| b) | As set out above, the Board conducted an external Board evaluation in 2022. Going forward, the Company plan to conduct a Board evaluation every year either externally or internally in line with the recommendations under the Code. |
| c) | For further information see a) above. |
| d) | The Board as a whole is mindful of the need for succession planning. The Remuneration and Nominations Committee will continue to meet and monitor the requirement for succession planning. |

| | | | |
|---|---|---|---|
| Nine | **Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose, strategy and culture** | a) | Explain how the remuneration structure and practice supports the delivery and attainment of the Company's purpose, business model, strategy and culture. |
| **Comment** | | | |
| a) | The Company have a Remuneration Policy in place.<br><br>Pay structures for the executive team and senior management team are simple and easy to understand.<br><br>The Remuneration Report on pages 50 to 54. | | |
| Ten | **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and any other key stakeholde**rs | a) | Within the corporate governance report, reflect on challenges experienced in the year and signpost to how these were addressed at the board and whether any changes were made to board structure or process. |
| | | b) | Include an audit committee report (or equivalent report if such committee is not in place). |
| | | c) | Include a remuneration committee report (or equivalent report if such committee is not in place). |
| | | d) | If the Company has not published one or more of the disclosures set out under Principles 1-10, the omitted disclosures must be identified and the reason for their omission explained. |
| **Comment** | | | |
| a) | The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team. The Chairman has the responsibility for ensuring that the Board discharges its responsibilities. No one individual has unfettered powers of decision.<br><br>The Chairman is responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives.<br><br>The Board maintains a healthy dialogue between it and its stakeholders including its shareholders. The Chairman is primarily responsible for communicating with shareholders. The SID is also available to communicate with shareholders as required.<br><br>Copies of the Company's report and accounts, and all other shareholder communications are maintained on the Company's website. | | |
| b) | See pages 47 to 48. | | |
| c) | See page 49. | | |
| d) | The Company has published all of the disclosures set out under Principles 1-10. | | |

# Board Overview

## Leadership

The Company remains dedicated to upholding high standards in all aspects of our operations. Our business and processes are structured around a robust governance framework that aligns with the principles of the QCA Code and the requirements of the AIM market of the London Stock Exchange. The Board is fully aware of the updates to the QCA Code made in 2023 and have reported our compliance with the Code within this report on pages 35 to 40.

The directors develop policies and procedures in accordance with the QCA Code, and these are regularly monitored to ensure they remain effective and relevant.

While building a strong governance framework, we aim to take a proportionate approach, ensuring that our processes are not only fit for purpose but also deeply embedded within the culture of our organisation. We are committed to continuous evolution and improvement as part of our drive to build a successful and sustainable Company.

Good governance provides the foundation for making the right decisions by the right people at the right time, ensuring the long-term success of the organisation.

## Shareholders and other stakeholders

### Board

Set strategy and deliver value to shareholders. Review performance against plan.

### Health, Safety, Security and Environment Committee

The Committee is primarily focused on ensuring that the HSSE policies are adopted and applied across the Group.

It also ensures that incidents that occur are dealt with correctly and lessons learnt, and exercises are carried out to prevent repeats.

### Audit Committee

The main responsibility of the Audit Committee is to monitor the integrity of the Company's financial statements and other formal announcements relating to the Company's financial performance. The Committee ensures that the Company has effective risk management and appropriate internal controls in place. The responsibility for the enforcement of the Company's code of conduct, and the adequacy and security of the anti-bribery and corruption policy, also rests with the Audit Committee. The Committee is mindful of the guidance from the QCA with respect to the function and duties of the Audit Committee within the business.

### Remuneration and Nominations Committee

The Committee is responsible for all material elements of remuneration policy, including directors' remuneration and assessing directors' performance. The Committee will consider recruitment of Board members and members of the Executive team, together with consideration of succession planning.

The Committee assesses Executive directors' performance based on an annually approved scorecard. The Committee is mindful of the guidance from the QCA with respect to the function and duties of the Remuneration and Nomination Committee within the business.

# Board of Directors

### 1. Graham Lyon - Executive Chairman

**Appointed to Board**

25 February 2020

**Background**

Graham is an experienced oil and gas energy Executive with 40 years' experience across technical, operational, commercial and leadership roles. Graham has chaired or sat on the board of AIM, TSX, ASX and AQSE growth companies. Graham holds a BSc (Eng) Hons from Imperial College in Petroleum Engineering.

**Current external commitments**

- Soncer Limited
- Soncer Cyp Limited

### 2. Christian Bukovics - Director (Senior Independent Non-Executive)

**Appointed to Board**

2 December 2021

**Background**

Christian is a senior oil and gas sector Executive with 40 years of international experience across a variety of roles. Since 2013, he has worked as founder, advisor and Non-Executive Director in small-cap oil and gas companies and was part of the Board of LSE premium listed JKX Oil and Gas plc. Prior to this, he held several senior positions with Shell, including VP Exploration Russia and FSU, VP Commercial in Global Exploration and GD of Shell Temir (Kazakhstan).

Christian holds a doctorate in experimental Physics from the University of Vienna.

**Current external commitments**

- Director – CB Exploration Limited
- Director – Irbis Energy Group Limited

### 3. David Blewden - Director (Independent Non-Executive)

**Appointed to Board**

1 July 2020

### Background

David is a senior oil and gas sector Executive with 40 years of international experience working as a petroleum engineer, an energy investment banker and in energy industry finance roles. He is currently CFO of Sunny Hill Energy Limited, a UK private E&P company (formerly Petroceltic International), and in recent years, has been a Non- Executive Director of Gulf Marine Services plc, an LSE premium listed oil services company and New Age (African Global Energy) Limited, a private E&P company. From 2010 to 2016, he was CFO of Sterling Resources Ltd, a TSX-V listed Canadian E&P company. David holds an MA in Natural Sciences from the University of Cambridge.

### Current external commitments

- Director – Philipshill Consulting Limited
- Director – Hodgemoor Investments Limited
- Director – Corella Holdings Limited
- CFO – Sunny Hill Energy Limited

### 4. Simon Ashby-Rudd - Director (Independent Non-Executive)

### Appointed to Board

26 June 2023 and resigned from the Board on 28 June 2024.

### 5. Mohamed Seghiri - Chief Operating Officer

### Appointed to Board

23 January 2020 and resigned from the Board on 21 February 2025.

# Board Activities

### Effectiveness

The Board retains full and effective control over the Company and holds regular meetings at which financial, operational and other reports are considered and, where appropriate, voted upon. The Board is responsible for the Group's strategy and key financial and compliance issues.

**The key matters reserved for the Board:**

- Approval of the Group's strategic aims and objectives
- Approval of the Group's annual operating and capital expenditure budgets and any material changes to them
- Review of Group performance and ensuring that any necessary corrective action is taken
- Extension of the Group's activities into new business or geographical areas
- Any decision to cease to operate all or any material part of the Group's business
- Major changes to the Group's corporate structure and management and control structure
- Any changes to the Company's listing
- Changes to governance and key business policies
- Ensuring the maintenance of a sound system of internal control and risk management
- Approval of half-yearly and Annual Report and Accounts and preliminary announcements of final year results
- Reviewing material contracts and contracts not in the ordinary course of business
- Reviewing the effectiveness of the Board and its Committees.

The Board delegates matters not reserved for the Board, concerning the management of the Group's business, to the Executive team.

**Composition and independence of the Board:**

As of 31 December 2024, the Board comprised of the Executive Chair, one Executive Director, one Senior Independent Non-Executive Director and one Independent Non-Executive Director.

After the resignation of the COO on the 21 February 2025, the current Board still possesses a strong combination of industry, financial, banking, public markets, and governance expertise. It has the right blend of experience, skills, personal qualities, and capabilities to execute the Company's strategy and create long-term value for shareholders. The Company is led by an Executive Chair, who bridges the roles of Chair and Chief Executive Officer. The Board maintains a balanced mix of Executive and Non-Executive Directors, with a notable level of independence.

The Executive Chair is tasked with leading both the Board and the Executive team, ensuring the Board fulfils its responsibilities. The Chair also facilitates full and constructive participation from all Board members in shaping the Group's strategy and overall commercial goals. In the absence of a CEO, the Executive Chair, supported by the other Executive team members, leads the business, ensuring that the strategic and commercial objectives set by the Board are achieved. The Executive Chair is accountable to the Board for the Company's operational and financial performance.

The Board continues to believe that, given the current phase of the business, the position of Executive Chair is appropriate. While there is currently no Chief Executive Officer, the Board has two independent Non-Executive Directors, ensuring a strong voice of independence. This arrangement is under review for 2025.

## Board Composition
## Attendance at Meetings:

A schedule of the Board and Board Committee meetings held during the year ended 31 December 2024 is noted below. Key Executives and advisors have attended these meetings, where appropriate, to present and provide feedback on actions throughout the year.

| | Year ended 31 December 2024 | | | | |
|---|---|---|---|---|---|
| | Board meetings | | | | |
| **Name of the Director** | **Scheduled** | **Ad hoc[1]** | **Audit Committee** | **Remuneration and Nominations Committee** | **HSSE** |
| **Total number of meetings held** | **5** | **7** | **2** | **2** | **5** |
| Graham Lyon (Executive Chair) | 5 | 7 | N/A | 1 | N/A |
| Mohammed Seghiri (COO) | 5 | 7 | N/A | N/A | 5 |
| David Blewden | 5 | 7 | 2 | 2 | N/A |
| Christian Bukovics | 5 | 7 | 1 | 2 | 5 |
| *Simon Ashby-Rudd | 3 | 4 | 1 | 1 | N/A |

[1] Ad hoc meetings: Additional meetings called for a specific business matter or of a more general administration nature, not necessarily requiring full Board attendance.

* Simon Ashby-Rudd resigned during the year

# Health, Safety, Security & Environment Committee

### Committee Members and Participants

During 2024, the HSSE Committee comprised of Christian Bukovics (Chair) and Mohammed Seghiri. David Blewden joined the Committee in April 2025 following the departure of Mohammed Seghiri. Those within the business responsible for matters pertaining to HSSE are invited to join and present to the Committee as appropriate.

### Health, Safety, Security & Environment (HSSE) Committee Activities

During the year under review, the Committee met on five occasions to discuss matters pertaining to Health, Safety, Security and Environmental issues. The Committee is primarily focused on ensuring that comprehensive and fit-for-purpose HSSE policies are adopted and applied consistently across the Group.

### 2024 Activities

- The Sound Energy plc HSSE Committee met on 5 occasions in 2024, January, April, June, September and November.
- Each meeting follows a set agenda where HSSE performance, progress on annual objectives and any required adjustment to strategy are discussed. Specific issues and challenges are discussed as they arise, and appropriate responses are recommended.
- Key focus was placed upon safe operations and the avoidance of any environmental damage during civil construction activities. This was done by ensuring full time safety supervision at Tendrara, encouraging the main contractor's management to adequately resource the HSSE management of its operations and monthly evaluation of conformance with our environmental impact assessment. The activity leading to most accidents in the oil and gas industry, road transport, received continuing attention.
- Continual reviews were completed to ensure safe working measures were implemented both within the UK and Morocco.
- A 2024 HSSE Plan and HSSE KPIs were developed to ensure the tracking of Company goals for 2024 and report back to the Committee.
- Continuously monitored the effectiveness of the Company safety programs to ensure they are relevant to the Company activities and understood by all the Company employees and contractors. Ensured tracking for the closure of action items raised during HSSE committee meetings
- Kept HSSE management system and resources under review
- Ensured ongoing transparent reporting with updates to the Board

### 2025 Looking Forward

In 2025, the focus for non-operated assets will be to support Managem in strengthening their HSSE capabilities for Oil and Gas Operations. For operated assets, the priority will be ensuring zero harm to personnel and the environment.

**Christian Bukovics**
Chairman of the Health, Safety, Security & Environment Committee

# Audit Committee Report

### Committee Members and Participants

During 2024, the Company's Audit Committee comprised David Blewden (Chair), Simon Ashby-Rudd (until June 2024) and Christian Bukovics (from June 2024 onwards). The CFO and Group Financial Controller are also invited to attend parts of most meetings and the external auditor is invited to attend parts of meetings regarding preparation and approval of financial reporting.

### Audit Committee Activities

The Audit committee met on two occasions in 2024 regarding financial reporting, audit and risk management.

### Responsibilities

The main responsibilities of the Audit Committee are to monitor the integrity of the Group's financial statements and other formal announcements relating to financial performance. The Committee reviews the risk management policy, strategic risks and mitigation actions allocated to the Executive team prior to submission to the Board for approval. Follow-up reviews are undertaken throughout the year to ensure effective risk management and appropriate internal controls are in place. The responsibility for the enforcement of the Company's code of conduct, and the adequacy and security of the anti-bribery and corruption policy, also rests with the Audit Committee.

### 2024 Review

- Approved audited and interim financial statements, including key judgements and policies to ensure they are fair, balanced and understandable for our shareholders.
- Reviewed and recommended the reappointment of our external Auditor Crowe UK LLP, including fee structure.
- Review of the Company's principal risks and uncertainties.
- Ongoing monitoring of the going concern status of the business.
- Ensured that necessary financial controls were in place and had been tested.

### 2025 Looking Forward

- Keep under review the Company's existing control framework.
- Ensure continued risk management procedures and controls are appropriate.
- Ongoing monitoring of the Company's going concern status.
- Continue to consider the recommendations of the QCA Code

### Financial and Business Reporting

The Audit Committee reviews and evaluates whether the Company is a going concern and communicates to the Board its findings and recommendations. The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. The statement setting out the reasons why the Board continues to adopt the going concern basis for preparing the financial statements is included in note 1 to the financial statements on page 71.

## Risk and Controls

The Board, taking into account the recommendations of the Audit Committee, is responsible for determining the nature and extent of the significant risks that the Group is willing to take in achieving its strategic objectives, and for maintaining sound risk management and internal control procedures. The Group's internal control system is designed to manage the risk of failure to achieve business objectives, rather than to eliminate that risk. Such systems can only provide reasonable, and not absolute, assurance against material misstatement or loss.

A summary of our approach and strategic risks is covered in detail on pages 30 to 33.

## Conflicts of Interest

Under the Companies Act 2006, a director must avoid a situation in which a direct or an indirect conflict of interest may occur. The Company has in place procedures to deal with any situation in which a conflict may be perceived.

## Auditor

Crowe UK LLP has been the Group's statutory auditor for 16 years, and the Committee are comfortable that their audit remains independent.

**David Blewden**
Chairman of the Audit Committee

## Nominations and Remuneration Committee Report

The Committee and the wider Board recognise the importance of attracting, retaining and motivating talent within the Board and wider Executive team to promote the successful growth of the Group. As Sound Energy continues to develop, the Company's remuneration policy and framework has evolved to ensure that Directors and Executives are rewarded for achieving strategic targets and creating value for shareholders. We have created a remuneration framework that is appropriately aligned, both to our business and to the interests of our shareholders. The Committee ensures that the policy is fit for purpose and transparent.

**Principles For Executive Remuneration**

The main principles of the Senior Executive remuneration policy are set out below:

- Attract and retain high-calibre Executives in a competitive international market, and remunerate Executives fairly and responsibly;
- Motivate the delivery of our key business strategies and encourage a strong performance-oriented culture;
- Reward achievement over the short and long term;
- Support both near-term and long-term success and sustainable shareholder value;
- Align the business strategy and achievement of planned business objectives;
- Be compatible with the Company's risk policies and systems;
- Ensure that a proportion of remuneration is performance related; and
- Take into consideration the views of shareholders and best practice guidelines.

The Remuneration Committee revised the Company's remuneration policy in 2022 which ensured alignment of Executives' rewards for delivery of the success of the business with shareholders. The framework of the policy incentivises and drives the Executive team to strive for success but also aligns them clearly with the aspirations of shareholders for capital growth and ultimately long-term value to the business for all stakeholders.

Fixed remuneration comprises salary, pension and benefits. Variable pay includes the potential for an annual bonus and a longer-term incentive plan. The Committee continues to recognise that it may be necessary, on occasion, to use its discretion to make remuneration decisions outside the standard remuneration policy, such as agreeing a sign-on payment, to attract and retain talent. However, no such discretion was exercised in 2024.

**Christian Bukovics**
Chairman of the Nominations and Remuneration Committee

# Directors' Remuneration Report

## Remuneration Policy

| Purpose | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|
| **Salary** | | | |
| Attract and retain the right calibre of staff required to support the long-term success of the business.<br><br>Provide the basis for a competitive remuneration package. | Determined by reference to market data and advice from external remuneration advisor.<br><br>Reflects individual experience, skills and role.<br><br>Paid monthly.<br><br>Reviewed annually. | Increases will be made at the discretion of the Committee, or for Non-Executive Directors, the Executive Directors, considering:<br>• increase in responsibility, particularly as the Company grows and expands<br>• development and performance in the role<br>• alignment to the market level | There are performance measures in place, and the performance of the individual is considered when setting and reviewing salaries annually. |
| **Pension** | | | |
| Provide a level of pension provision that is compliant with regulation and allows staff to build long-term retirement savings. | Defined contribution based on a percentage of salary. Executives may elect to take part of their pension contribution as salary. | 4.5% of base salary.<br><br>No element other than salary is pensionable. | None. Pension contribution is set at the commencement of an individual's contract. |
| **Benefits** | | | |
| Protect against risks and provide other benefits reflecting the international aspects of roles. | Private medical and dental insurance in the UK, permanent health insurance and life assurance cover. | Set at a level that provides sufficient benefit. | None |
| **Bonus Awards** | | | |
| Provide a direct link between measurable individual performance and rewards. Encourage the achievement of outstanding results aligned to Group strategy and achievement of business objectives | An individual Executive bonus is based on performance measured against Group and personal objectives.<br><br>Performance measures are both quantitative and qualitative, and both financial and non-financial.<br><br>The payment of bonus awards is in the form of nil stock options, which replaced the restricted stock unit plan.<br>Any cash payments made by the Company are made at the sole discretion of the Remuneration Committee. | The value of any bonus is at the discretion of the Remuneration Committee. | Performance is assessed using specific metrics set by the Remuneration Committee, including the delivery of the Company scorecard and the share price performance. |

| Purpose | Operation | Maximum Opportunity | Performance measures |
|---|---|---|---|
| **Long-Term Incentive Plan (LTIP)** | | | |
| Reward execution of Group strategy and growth in shareholder value over a multiple-year period.<br><br>Long-term performance measurement discourages excessive risk-taking and inappropriate short- term behaviours and aligns Executive interests with those of shareholders. The LTIP is designed to retain Senior Executives over the performance period of the awards. | LTIP awards are made by the Committee for the CEO and for Executives by the Committee based on CEO recommendations.<br><br>At vesting, the LTIP awards are satisfied in Sound Energy shares.<br><br>Awards will, typically, lapse on termination of employment, although the Committee may determine that awards may vest after termination of employment, in accordance with the plan rules and considering performance during the date of grant and date of termination of employment.<br><br>In the event of a change in control of the Company, decisions relating to the extent to which any vesting conditions have been fulfilled and the level of vesting will be taken by the Committee, as constituted immediately prior to the date on which control passes. | The opening price, against which the performance is measured, and the below multiples were chosen, is the price at 30 April 2022 (2.40) p | Vesting of the LTIP Options will be subject to: (a) the Company's share price on the third anniversary of the date of grant (the "Performance Testing Date"); and (b) to the grantee remaining an executive employee of the Company on the Performance Testing Date. Actual vesting of the LTIP Options, the number of which is determined on the Performance Testing Date, will then occur in three tranches on the third (25%), fourth (35%) and fifth (40%) anniversaries of grant. The number of LTIP Options vesting on the Performance Testing Date will be calculated as follows, with a linear relationship between vesting thresholds:<br><br>In the event the LTIP Options vest, in whole or in part, then they will be exercisable at a price of 2.4 pence per new ordinary share.<br><br>**Share price on Performance Testing Date** / **% Options Vesting**<br>≥ 5.38p — 50%<br>≥ 10.75p — 100% |
| **Chairman and Non-Executive Director Fees** | | | |
| Provide an appropriate reward to attract and retain high calibre individuals. | The fee for the Chairman and Non-Executive Directors reflects the level of commitment and responsibility of the role.<br><br>The fee is paid monthly in cash and is inclusive of all Committee roles. | Set at a level that reflects the commitment and contribution expected from the Chairman and Non-Executive Directors and is appropriately positioned against comparable roles in companies of a similar size and complexity.<br><br>Actual fee levels are disclosed in the Directors' Annual Remuneration Report for the relevant financial year. | Benchmarked externally from time to time as appropriate. |

### Recruitment Remuneration Arrangements

When recruiting a new Executive Director, whether from within the organisation or externally, the Committee will take into consideration all relevant factors to ensure that remuneration arrangements are in the best interests of the Company and its shareholders without paying more than is necessary to recruit an Executive of the required calibre. The Committee will seek to align the remuneration package offered with the remuneration policy outlined above but retains discretion to make proposals on hiring that are outside the standard policy.

### Director Shareholding Guidelines

Executive Directors and Senior Managers will be expected to build up, over a period not exceeding five years, and retain a personal shareholding in the company equivalent to 70% and 30%, respectively, of their base annual salary.

Vested shares awarded under an LTIP may be considered for the purposes of determining whether the required shareholding has been achieved.

The Committee has discretion to change the shareholding targets.

### Executive Director Employment Contracts and Termination Payments

The Executive Chairman has an employment contract and the COO an employment contract, which entitles them to the fixed elements of remuneration and to consideration for variable remuneration each year. Their contracts are terminable by the Company on not more than six months' written notice.

### External Appointments

It has been expressly agreed that the Executive Chairman must obtain agreement from the Board before accepting additional commitments that might affect the time, he is able to devote as Chair of the Company.

### Remuneration Policy for the Chairman and Non-Executive Directors

The Non-Executive Directors are appointed under employment contracts with a notice period for termination of six months. The Service Contracts cover such matters as duties, time commitment and other business interests.

### Loss of Office and Change of Control Provisions

In the event of a change of control of the Company occurring during their employment, Mohammed Seghiri, COO, has the option to give notice and receive a lump sum equivalent to six months' salary.

All of the Company's current share plans contain provisions relating to a change of control. In the event of a change in control of the Company, decisions relating to the extent to which any vesting conditions of the LTIP have been fulfilled and the level of vesting will be taken by the Remuneration Committee, as constituted immediately prior to the date on which control passes.

## Summary of Actual Remuneration of Directors

| | Salary £'000 | Transaction completion bonus £'000 | Annual bonus £'000 | Company pension £'000 | Benefits in kind £'000 | Total 2024 £'000 | Total 2023 £'000 |
|---|---|---|---|---|---|---|---|
| **Executive Chairman & Executive Director** | | | | | | | |
| Graham Lyon | 268 | 268 | 155 | – | – | 691 | 281 |
| Mohammed Seghiri | 214 | 32 | 124 | 4 | 9 | 383 | 220 |
| **Non-Executive Directors** | | | | | | | |
| Marco Fumagali | – | – | – | – | – | – | 18 |
| David Blewden | 46 | – | – | – | – | 46 | 45 |
| Christian Bukovics | 46 | – | – | – | – | 46 | 45 |
| Simon Ashbury-Rudd (i) | 35 | – | – | – | – | 35 | 24 |
| Total for all Directors | 609 | 300 | 279 | 4 | 9 | 1,201 | 633 |

(i) Simon Ashbury-Rudd retired during the year. His total salary for the period includes a termination payment of £11,603 in lieu of notice.

## LTIP Awards

| | Date of grant | Exercisable date | Acquisition price per share (pence) | Options held at 1 January 2024 | Options held at 31 December 2024(i) |
|---|---|---|---|---|---|
| Graham Lyon | 03.05.22 | 03.05.25–03.05.32 | 2.4 | 12,218,879 | 12,218,879 |
| Mohammed Seghiri | 03.05.22 | 03.05.25–03.05.32 | 2.4 | 7,331,327 | 7,331,327 |

(i) The LTIP Awards include 1,250,000 awards each qualifying under HMRC's tax advantaged Company Share Option Plan (CSOP).

## Directors' Shareholdings and Interests in Shares

Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company as at 31 December 2024:

| | No. of shares |
|---|---|
| Graham Lyon (Chairman) | 2,066,962 |
| Mohammed Seghiri (COO) | 11,083,316 |
| David Blewden | 1,676,471 |
| Christian Bukovics | 500,000 |

## Nil cost options

| | Date of grant | Exercisable date | Nil cost options held at 1 January 2024 | Nil cost options held at 31 December 2024 |
|---|---|---|---|---|
| Graham Lyon | 03.05.22 | 03.05.22–03.05.27 | 7,740,943 | 7,740,943 |
| Mohammed Seghiri | 03.05.22 | 03.05.22–03.05.27 | 4,308,017 | 4,308,017 |

Nil cost options to Executives and staff were granted in settlement of bonus awards.

### Movements in Share Price During the Year

The Company's share price at the end of the financial year was 1.025 pence and the range of mid-market prices during the year was between 0.625 pence and 1.25 pence.

### Advice Received by the Committee

The Committee has access to advice when it is considered appropriate. The Committee engages a consultant to review the existing Directors' remuneration when necessary. In 2024, no amount was paid for such consultancy for services provided (2023: nil).

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 9 April 2025 and signed on its behalf by:

**Christian Bukovics**
Chairman of the Nominations and Remuneration Committee

# Directors' Report

### Other Disclosures

Pages 41 to 58 inclusive (together with sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable UK Company law, and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

### Principal Activities and Business Review

Sound Energy plc is the holding Company for a group of transition energy focused companies whose principal activities are currently the exploration, appraisal and development of gas assets. The Group's current principal area of activity is in Morocco and the Company is close to achieving first production from an onshore discovery after a material sell-down of its interests to a local company. A review of the performance and future development of the Group's business is contained on pages 2 to 33 and forms part of this report.

### Results and Dividends

The loss for the year after tax was £150.8 million (2023: £7.2 million). The directors do not recommend payment of a dividend.

### Going Concern

As at 31 March 2025, the Group's cash balance was £3.1 million. The directors have reviewed the Company's cash flow forecasts for the next 12-month period to April 2026. The Company's forecasts and projections indicate that, to fulfil its other obligations, primarily the Company's Sidi Moktar permit commitments, the Company will require additional funding. Following the sale of its subsidiary SEME, the Company's share of the financial obligations for a well commitment on each of the retained 27.5% working interests on the Grand Tendrara (up to $3.6m) and Anoual licences (up to $2.6m), is to be funded by the acquirer of SEME, as well as up to $24.5m of the pipeline led development of the Tendrara Production Concession (Concession Phase 2). The Concession Phase 2 partners are progressing towards a final investment decision and received a conditional offer for partial financing of the Phase 2 development and continue to work to satisfy the conditions precedents and other elements necessary for the taking of Phase 2 FID.

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 the Sidi Moktar permit, and various debt, equity and equity-linked funding options. 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 consolidated financial statements.

### Auditor

So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The auditor, Crowe UK LLP, has indicated its willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

**Political Donations**

No political donations were made during the year (2023: £nil).

**Takeover Directive**

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual directors' holdings is disclosed on page 53.

**Board of Directors**

The names of the present directors and their biographical details are shown on pages 42 to 43.

The directors who served during the year were as follows:
- Graham Lyon
- David Blewden
- Mohammed Seghiri
- Christian Bukovics
- Simon Ashby-Rudd (until June 2024)

None of the directors had any interest during, or at the end of, the year in any contract of significance in relation to the business of the Company or its subsidiary undertakings.

Full details of the interests in the ordinary share capital of the Company of those directors holding office on 31 December 2024 are set out in the Directors' Remuneration Report.

**Powers Given to Directors**

The powers given to the directors are contained in the Articles of Association (the "Articles") and are subject to relevant legislation and, in certain circumstances (including in relation to the issuing or buying back by the Company of its ordinary shares), subject to authority being given to the directors by shareholders in a general meeting. The Articles also govern the appointment and replacement of directors. The Articles, which may only be amended with shareholders' approval in accordance with relevant legislation, can be found on our website.

**Indemnities**

Insurance cover also remains in place to protect all directors and senior management in the event of a claim being brought against them in their capacity as directors or officers of the Company and its subsidiaries.

**Share Capital**

At 31 December 2024, the Company had 2,080,622,679 ordinary shares in issue as shown in note 19 to the consolidated financial statements. There are no restrictions on the transfer of the Company's ordinary shares other than certain restrictions that may be imposed by law, for example, insider trading law and the Company's share dealing code. Each ordinary share carries the right to one vote at General Meetings of the Company. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

**Substantial Shareholding**

The Company was advised of the following significant direct and indirect interests in the issued ordinary share capital of the Company as at 31 December 2024 and up to the date of this report.

Oil & Gas Investment Fund SAS of Morocco holds 265,508,651 shares, representing a 12.76% interest.

### Financial Instruments

The information relating to the Group's financial assets and its financial risk management can be found in note 21 to the consolidated financial statements.

### Subsequent Events

See note on page 98.

**Graham Lyon**
Executive Chairman
9 April 2025

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards and applicable law. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group, for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and to disclose, with reasonable accuracy, at any time, the financial position of the Company, and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the directors' Report and other information included in the Annual Report and financial statements are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of Sound Energy plc's website is the responsibility of the directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in the Annual Report may differ from legislation in other jurisdictions.

**Graham Lyon**
Executive Chairman
9 April 2025

# Independent Auditor's Report

to the members of Sound Energy plc

**Opinion**

We have audited the financial statements of Sound Energy plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2024, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2024;
- the Group and Company balance sheets as at 31 December 2024;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the group and company financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the financial statements have been prepared with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty in relation to going concern**

We draw attention to Note 1 in the financial statements. The Group's cash flow for the next twelve-month period to April 2026, indicate that additional funding will be required to enable the Group to meet its obligations.

This condition, along with other matters set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the cash flow requirements of the Group and Company over the duration of the assessment period based on forecasts and projections.
- Understanding what forecast expenditure is committed and what could be considered discretionary.
- Considering the various scenarios presented including the potential downside scenarios and the resultant impact on available funds.
- Testing the mathematical accuracy of the forecasts and projections.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Overview of our audit approach

*Materiality*

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £585k (2023: £2.0m) and the overall materiality for the parent company is £575k (2023: £1.9m), based on 1% of assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality of £350k (2023: £1.2m) is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £17,500 (2023: £40,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

*Overview of the scope of our audit*

The head office of the Group is located in the UK which has an accounting function for group reporting as well as the head office costs and certain exploration activities.

The Group also has operations in Morocco which has a separate accounting function. We have performed a remote audit of the accounting systems operating locally in Morocco in order to perform the required audit work.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern which is described in the Material uncertainty in relation to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

| ***Key audit matter*** | ***How the scope of our audit addressed the key audit matter*** |
|---|---|
| **Impairment of exploration and evaluation assets**<br><br>The Group's primary focus is on exploration activities in Eastern and Southern Morocco. Exploration expenditure in the current year was significant and totalled £0.7m. The carrying value of the exploration and evaluation assets was £14m at 31 December 2024 (note 11).<br><br>Management are required to assess these assets for impairment under IFRS 6 which requires significant management judgement. As these amounts are material and the group are still developing these assets with their recoverability subject to a number of factors, there is a risk that they could be impaired. | We reviewed management's assessment which concluded that there are no facts or circumstances that indicate the carrying amount of the assets exceeds the recoverable amount. We agreed the impairment posted in the year and assessed whether any further impairment was required.<br><br>In considering this assessment we performed the following:<br><br>Challenged management's assessment with respect to the indicators of impairment as outlined under IFRS 6<br>Reviewed the board minutes, budgets and other operational plans setting out the Group's current plans for the continued commercial appraisal of each exploration asset<br>Obtained evidence of continued legal title<br>Reviewed current well and licence reserve appraisals<br>Discussed and critically analysed plans and intentions with management |
| **Impairment of development and production assets**<br><br>The Group has a significant amount of development and production assets which totalled £10.5m at 31 December 2024 (note 10).<br><br>Management are required to assess these assets for impairment which requires significant management judgement. As these amounts are material and the group are still developing these assets with their recoverability subject to a number of factors, there is a risk that they could be impaired. | We reviewed management's assessment which included their internal model. This model was based on a fair value less cost to sell based on the recent transaction. We agreed the impairment posted in the year and assessed whether any further impairment was required.<br><br>In considering this assessment we performed the following:<br><br>Obtained management's impairment assessment carried out during the year<br>Challenged management's inputs into the valuation model and obtained evidence of these compared to the recent transaction.<br>Performed shadow calculations, considering a number of probabilities.<br>Determined whether the discount rate used was deemed appropriate .<br>Reviewed the board minutes, forecast and projections, and other operational plans setting out the Group's plans in regard to the exclusivity award<br>Discussed and critically analysed plans and intentions with management |
| **Classification and presentation of the discontinued activities in the financial statements**<br><br>On 10 December 2024, the group disposed of Sound Energy Morocco East Limited (SEME). We considered the risk that the valuation of the disposal group could be materially misstated and whether the classification of transactions included in the disposal group are correctly recognised as part of the discontinued operations.<br><br>We also considered whether the profit and loss on disposal were materially misstated considering the deferred and contingent consideration included within the total disposal proceeds. (Note 27). | We obtained the Share Purchase Agreement (SPA) for the disposal and performed the following procedures:<br><br>Agreed the balances for SEME from its individual trial balance that have disposed of and tested material balances to supporting documentation<br><br>Agreed the terms of the SPA to the disclosure<br><br>Agreed the consideration for the transaction and where received to bank statements.<br><br>Assessed the NPV of the consideration, including the probability of the deferred consideration being paid and its timing<br><br>Agreed the impairment recognised to the assets to their recoverable amount<br><br>Tested the material balances within the disposal group to supporting documentation<br><br>Recalculated the loss on disposal and agreed through to the accounts. |

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the directors for the financial statements**

As explained more fully in the directors’ responsibilities statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the company.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the procedures in place for ensuring compliance. The most significant identified were the Companies Act 2006 and UK and Moroccan taxation legislation. Our work included, reviewing board and relevant committee minutes and inspection of correspondence and HSE reports.

- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas that involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimate or judgement, including impairment, this included specific testing of journal transactions, both at the year end and throughout the year.

- We used analytics to identify any unusual transactions or unexpected relationships, including considering the risk of undisclosed related party transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Leo Malkin (Senior Statutory Auditor)**
for and on behalf of
**Crowe U.K. LLP**
Statutory Auditor
London
9 April 2025

# FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** FOR THE YEAR ENDED 31 DECEMBER 2024

| | Notes | **2024 £'000s** | 2023 £'000s |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | | **–** | – |
| Other income | 3 | **–** | 4 |
| Impairment on development assets and exploration costs | | **(122,042)** | – |
| **Gross profit** | | **(122,042)** | 4 |
| Administrative expenses | | **(4,586)** | (2,311) |
| **Group operating (loss) / profit from continuing operations** | 4 | **(126,628)** | (2,307) |
| Finance revenue | 7 | **12** | 25 |
| Foreign exchange gain/(loss) | | **2,294** | (2,719) |
| Finance expense | 26 | **(2,302)** | (1,893) |
| **Loss for the year before taxation** | | **(126,624)** | (6,894) |
| Tax expense | 8 | **–** | (1) |
| Loss for the year after taxation | | **(126,624)** | (6,895) |
| **Discontinued operations** | | | |
| Loss for the period after tax from discontinued operations | 27 | **(24,196)** | (265) |
| **Total loss for the year** | | **(150,820)** | (7,160) |
| **Other comprehensive income** | | | |
| Items that may subsequently be reclassified to the profit and loss account | | | |
| Foreign currency translation gain/(loss) | | **9** | (6,555) |
| **Total comprehensive loss for the year** | | **(150,811)** | (13,715) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(150,811)** | (13,715) |

| | Notes | **2024 Pence** | 2023 Pence |
|---|---|---|---|
| Basic and diluted loss per share for the year from continuing and discontinued operations attributable to the equity shareholders of the parent | 9 | **(7.48)** | (0.38) |
| Basic and diluted loss per share for the year from continuing operations attributable to the equity shareholders of the parent | 9 | **(6.28)** | (0.37) |

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2024

| | Notes | 2024 £'000s | 2023 £'000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **10,489** | 157,927 |
| Intangible assets | 11 | **14,097** | 35,002 |
| Prepayments | 12 | **1,522** | 5,092 |
| Deferred consideration | 14 | **21,045** | – |
| | | **47,153** | 198,021 |
| **Current assets** | | | |
| Inventories | | **69** | 915 |
| Other receivables | 15 | **3,247** | 924 |
| Prepayments | | **25** | 1,342 |
| Cash and short-term deposits | 16 | **7,895** | 3,016 |
| | | **11,236** | 6,197 |
| **Total assets** | | **58,389** | 204,218 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **3,665** | 2,495 |
| Tax liabilities | 8 | – | 199 |
| Lease liabilities | 18 | – | 121 |
| | | **3,665** | 2,815 |
| **Non-current liabilities** | | | |
| Tax liabilities | 8 | – | 1,410 |
| Loans and borrowings | 26 | **37,707** | 33,285 |
| | | **37,707** | 34,695 |
| **Total liabilities** | | **41,372** | 37,510 |
| **Net assets** | | **17,017** | 166,708 |
| **Capital and reserves** | | | |
| Share capital and share premium | | **41,073** | 39,898 |
| Shares to be issued | | **374** | 374 |
| Accumulated (deficit) /surplus | | **(28,137)** | 122,443 |
| Warrant reserve | | **2,071** | 2,071 |
| Convertible bond reserve | | **28** | 28 |
| Foreign currency reserve | | **1,608** | 1,894 |
| **Total equity** | | **17,017** | 166,708 |

The financial statements were approved by the Board and authorised for issue on 9 April 2025 and were signed on its behalf by:

**Graham Lyon - Director**

The accounting policies on pages 71 to 77 and notes on pages 71 to 98 form part of these financial statements.

**FINANCIAL STATEMENTS**

**COMPANY BALANCE SHEET** AS AT 31 DECEMBER 2024

| | Notes | 2024 £'000s | 2023 £'000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **3** | 4 |
| Right of use assets | 10 | **–** | 101 |
| Software | | **49** | 18 |
| Investments in subsidiaries | 13 | **47,518** | 190,149 |
| | | **47,570** | 190,272 |
| **Current assets** | | | |
| Other receivables | 15 | **1,953** | 59 |
| Prepayments | | **25** | 29 |
| Cash and short-term deposits | 16 | **7,881** | 233 |
| | | **9,859** | 321 |
| **Total assets** | | **57,429** | 190,593 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **3,544** | 421 |
| Leases liabilities | 18 | **–** | 121 |
| | | **3,544** | 542 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 26 | **37,707** | 33,285 |
| | | **33,285** | 33,285 |
| **Total liabilities** | | **41,251** | 33,827 |
| **Net assets** | | **16,178** | 156,766 |
| **Capital and reserves** | | | |
| Share capital and share premium | | **41,073** | 39,898 |
| Shares to be issued | | **374** | 374 |
| Accumulated (deficit) /surplus | | **(27,368)** | 114,395 |
| Warrant reserve | | **2,071** | 2,071 |
| Convertible bond reserve | | **28** | 28 |
| **Total equity** | | **16,178** | 156,766 |

The Company's accumulated deficit includes a loss for the year of £142.0 million (2023: profit of £14.0 million).

The financial statements were approved by the Board and authorised for issue on 9 April 2025 and were signed on its behalf by:

**Graham Lyon – Director**

## FINANCIAL STATEMENTS

**GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY** FOR THE YEAR ENDED 31 DECEMBER 2024

### Group

| | Notes | Share capital £'000s | Share premium £'000s | Shares to be issued £'000s | Accumulated Surplus/ (deficit) £'000s | Warrant reserve £'000s | Convertible Bond reserve £'000s | Foreign currency reserves £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2024** | | **19,631** | **20,267** | **374** | **122,443** | **2,071** | **28** | **1,894** | **166,708** |
| Total loss for the year | | – | – | – | (150,820) | – | – | – | (150,820) |
| Other comprehensive gain | | – | – | – | – | – | – | 9 | 9 |
| Total comprehensive loss | | – | – | – | (150,820) | – | – | 9 | (150,811) |
| Issue of share capital on conversion of bond | 26 | 1,175 | – | – | (554) | – | – | – | 621 |
| Transfer to profit and loss account on bond conversion to shares | | – | – | – | 554 | – | – | – | 554 |
| Reclassification to profit and loss account on disposal of subsidiary | | – | – | – | – | – | – | (295) | (295) |
| Share-based payments | 24 | – | – | – | 240 | – | – | – | 240 |
| **At 31 December 2024** | | **20,806** | **20,267** | **374** | **(28,137)** | **2,071** | **28** | **1,608** | **17,017** |

### Company

| | Notes | Share capital £'000s | Share premium £'000s | Shares to be issued £'000s | Accumulated Surplus/ (deficit) £'000s | Warrant reserve £'000s | Convertible bond reserve £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2024** | | **19,631** | **20,267** | **374** | **114,395** | **2,071** | **28** | **156,766** |
| Total loss for the year | | – | – | – | (142,003) | – | – | (142,003) |
| Issue of share capital on conversion of bond | | 1,175 | – | – | (554) | – | – | 621 |
| Transfer to profit and loss account on bond conversion to shares | | – | – | – | 554 | – | – | 554 |
| Share-based payments | 24 | – | – | – | 240 | – | – | 240 |
| **At 31 December 2024** | | **20,806** | **20,267** | **374** | **(27,368)** | **2,071** | **28** | **16,178** |

## GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

| GROUP | Notes | Share capital £'000s | Share premium £'000s | Shares to be issued £'000s | Accumulated surplus £'000s | Warrant reserve £'000s | Convertible Bond reserve £'000s | Foreign currency reserves £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2023** | | **18,487** | **20,134** | **404** | **129,004** | **1,607** | **–** | **8,449** | **178,085** |
| Total loss for the year | | – | – | – | (7,160) | – | – | – | (7,160) |
| Other comprehensive loss | | – | – | – | – | – | – | (6,555) | (6,555) |
| Total comprehensive loss | | – | – | – | (7,160) | – | – | (6,555) | (13,715) |
| Issue of share capital on conversion of bond | 26 | 1,000 | 46 | – | – | – | – | – | 1,046 |
| Other share capital issues | | 114 | 87 | – | – | – | – | – | 201 |
| Transfer to share capital on issue of shares | | 30 | – | (30) | – | – | – | – | – |
| Fair value of warrants issued during the year | | – | – | – | – | 464 | – | – | 464 |
| Equity component of convertible bond | | – | – | – | – | – | 562 | – | 562 |
| Cost of issue allocated to equity component | | – | – | – | – | – | (174) | – | (174) |
| Transfer to accumulated surplus on bond conversion to shares | | – | – | – | 360 | – | (360) | – | – |
| Share-based payments | 24 | – | – | – | 239 | – | – | – | 239 |
| **At 31 December 2023** | | **19,631** | **20,267** | **374** | **122,443** | **2,071** | **28** | **1,894** | **166,708** |

| Company | Notes | Share capital £'000s | Share premium £'000s | Shares to be issued £'000s | Accumulated surplus £'000s | Warrant reserve £'000s | Convertible bond reserve £'000s | Total equity £'000s |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2023 | | 18,487 | 20,134 | 404 | 127,793 | 1,607 | – | 168,425 |
| Total loss for the year | | – | – | – | (13,997) | – | – | (13,997) |
| Issue of share capital on conversion of bond | | 1,000 | 46 | – | – | – | – | 1,046 |
| Other issue of share capital | | 114 | 87 | – | – | – | – | 201 |
| Transfer to share capital on issue of shares | | 30 | – | (30) | – | – | – | – |
| Fair value of warrants issued during the year | | – | – | – | – | 464 | – | 464 |
| Equity component of convertible bond | | – | – | – | – | – | 562 | 562 |
| Cost of issue allocated to equity component | | – | – | – | – | – | (174) | (174) |
| Transfer to accumulated surplus on bond conversion to shares | | – | – | – | 360 | – | (360) | – |
| Share-based payments | 24 | – | – | – | 239 | – | – | 239 |
| **At 31 December 2023** | | **19,631** | **20,267** | **374** | **114,395** | **2,071** | **28** | **156,766** |

## GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

| | Notes | 2024 £'000s | 2023 £'000s |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash flow from operations | | **(2,352)** | (1,403) |
| Interest received | | **23** | 42 |
| Tax paid | | **–** | (134) |
| **Net cash flow from operating activities** | | **(2,329)** | (1,495) |
| **Cash flow from investing activities** | | | |
| Disposal of subsidiary | 27 | **9,236** | – |
| Capital expenditure | | **(4,640)** | (1,600) |
| Exploration expenditure | | **(651)** | (660) |
| Prepayment for Phase 1 the mLNG project | | **(143)** | (820) |
| Receipt from interest in Badile land | | **–** | 134 |
| **Net cash flow from investing activities** | | **3,802** | (2,946) |
| **Cash flow from financing activities** | | | |
| Net proceeds from borrowings | 26 | **5,822** | 4,442 |
| Interest payments | 26 | **(1,168)** | (441) |
| Loan repayments | 26 | **(1,350)** | – |
| Lease payments | | **(124)** | (180) |
| **Net cash flow from financing activities** | | **3,180** | 3,821 |
| Net increase(decrease)/increase in cash and cash equivalents | | **4,653** | (620) |
| Net foreign exchange difference | | **226** | (225) |
| Cash and cash equivalents at the beginning of the year | | **3,016** | 3,861 |
| **Cash and cash equivalents at the end of the year** | 16 | **7,895** | 3,016 |

**Note to Statement of Cash Flows**
For the period ended 31 December 2024

| | Notes | 2024 £'000s | 2023 £'000s |
|---|---|---|---|
| **Cash flow from operations reconciliation** | | | |
| Loss before tax for the year from continuing operation | | **(126,624)** | (6,894) |
| Loss before tax for the period from discontinued operations | | **(24,196)** | (258) |
| Loss for the year before tax | | **(150,820)** | (7,152) |
| Finance revenue | | **(23)** | (42) |
| (Increase)/decrease in drilling inventories | | **(260)** | 48 |
| Decrease in receivables and prepayments | | **803** | 688 |
| Increase/(decrease) in accruals and short-term payables | | **1,113** | (343) |
| Impairment on development assets and exploration costs | | **122,042** | – |
| Loss on disposal of subsidiary | 27 | **23,438** | – |
| Foreign currency translation loss reclassified from other comprehensive income | | **295** | – |
| Impairment of interest in Badile land | | **–** | 125 |
| Depreciation | | **128** | 194 |
| Share-based payments charge and remuneration paid in shares | | **794** | 239 |
| Finance expense and exchange adjustments | | **138** | 4,840 |
| **Cash flow from operations** | | **(2,352)** | (1,403) |

Non-cash transactions during the period included the issue of 117.5 million ordinary shares, following partial conversion of accrued interest on the convertible bond. The Group has provided collateral of $nil (2023: $1.75 million) to the Moroccan Ministry of Petroleum to guarantee the Group's minimum work programme obligations for the Anoual, and Sidi Moktar permits. The cash was 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.

## **COMPANY STATEMENT OF CASH FLOWS** FOR THE YEAR ENDED 31 DECEMBER 2024

| | Notes | **2024 £'000s** | 2023 £'000s |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash flow from operations | | **(2,535)** | (3,253) |
| Interest received | | **5** | 21 |
| **Net cash flow from operating activities** | | **(2,530)** | (3,232) |
| **Cash flow from investing activities** | | | |
| Proceeds on disposal of subsidiary | 27 | **10,240** | – |
| Receipt from interest in Badile land | | **–** | 134 |
| Advances to subsidiaries | | **(5,107)** | (2,418) |
| Cash received from subsidiaries | | **2,219** | 161 |
| **Net cash flow from investing activities** | | **7,352** | (2,123) |
| **Cash flow from financing activities** | | | |
| Net proceeds from borrowings | | **5,822** | 4,442 |
| Interest payments | | **(1,168)** | (441) |
| Loan repayments | | **(1,350)** | – |
| Lease payments | | **(124)** | (180) |
| **Net cash flow from financing activities** | | **3,180** | 3,821 |
| Net increase/(decrease) in cash and cash equivalents | | **8,002** | (1,534) |
| Net foreign exchange difference | | **(354)** | 246 |
| Cash and cash equivalents at the beginning of the year | | **233** | 1,521 |
| **Cash and cash equivalents at the end of the year** | 16 | **7,881** | 233 |

## Note to Statement of Cash Flows
for the year ended 31 December 2024

| | | **2024 £'000s** | 2023 £'000s |
|---|---|---|---|
| **Cash flow from operations reconciliation** | | | |
| Loss for the year before tax | | **(142,003)** | (13,997) |
| Impairment of interest in Badile land | | **–** | 125 |
| Intragroup recharges | | **(805)** | (1,145) |
| Finance revenue | | **(5)** | (21) |
| Decrease in receivables and prepayments | | **18** | 5 |
| Increase/(decrease) in accruals and short-term payables | | **3,123** | (344) |
| Depreciation | | **124** | 174 |
| Share-based payments charge, and remuneration paid in shares | | **794** | 239 |
| Increase/(decrease) in impairment and expected credit loss allowance on intercompany loans and write-offs | | **159,042** | (421) |
| Deferred consideration receivable | 27 | **(20,696)** | – |
| Finance expense and exchange adjustments | | **(2,127)** | 12,132 |
| **Cash flow from operations** | | **(2,535)** | (3,253) |

Non-cash transactions during the period included the issue of 117.5 million ordinary shares, following partial conversion of accrued interest on the convertible bond.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2024

## 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.

### 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 2024 were authorised for issue by the Board of Directors on 9 April 2025.

### Going concern

As at 31 March 2025, the Group's cash balance was £3.1 million. The directors have reviewed the Company's cash flow forecasts for the next 12-month period to April 2026. The Company's forecasts and projections indicate that, to fulfil its other obligations, primarily the Company's SIDI Moktar permit commitments, the Company will require additional funding. Following the sale of its subsidiary SEME, the Company's share of the financial obligations for a well commitment on each of the retained 27.5% working interests on the Grand Tendrara (up to $3.6m) and Anoual licences (up to $2.6m), is to be funded by the acquirer of SEME, as well as up to $24.5m of the pipeline led development of the Tendrara Production Concession (Concession Phase 2). The Concession Phase 2 partners are progressing towards a final investment decision and received a conditional offer for partial financing of the Phase 2 development and continue to work to satisfy the conditions precedents and other elements necessary for the taking of Phase 2 FID.

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 the Sidi Moktar permit, and various debt, equity and equity-linked funding options. 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 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, 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 indicate 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 11.

In June 2024, the Company signed a binding SPA with Managem for the sale of 55% interest on the Tendrara Production Concession, 47.5% interest in the Grand Tendrara licence and 47.5% interest in the Anoual licence. Following the signing of the SPA, the Company undertook an impairment test as at 30 June 2024 and updated it on completion of the sale in December 2024. 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 10, 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. If there is no binding sales transactions or observable market prices, the fair value is estimated using 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 impairment test led to an impairment charge of approximately £122.0m being recognised as at 31 December 2024 for continuing operations. The key assumptions used to determine the recoverable amount of the development and production assets are disclosed in note 10.

**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 20).

**Fair value of warrants**

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

**Fair value of convertible bonds**

The calculation of fair value on convertible bonds requires estimation of the discount rate to use when discounting outstanding principal and interest amounts at each reporting date. The discount rate is a significant input into the discounted cashflow model used by the Company to estimate the fair value of the convertible bonds. The key assumptions used are disclosed under the fair value measurement section of Note 21.

**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.

**Intercompany loans**

The Company has funded its subsidiaries through non-interest bearing loans payable on demand. Given that the Company has no intention of calling in the loans in the foreseeable future, the loans are classified as non-current investments. Other sources of estimate concern IFRS 9 on intercompany loans at parent Company level (note 13). Impairment on intercompany loan is disclosed on note 13.

**(b) Basis of consolidation**

The Group financial statements consolidate the income statements, balance sheets, statements of cash flows and statements of changes in equity and related notes of the Company and its subsidiary undertakings.

**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 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.

**Separate financial statements**

The Company has no intention of recalling the intercompany loans in the foreseeable future and, therefore, classifies them as investments in the Company balance sheet. On adoption of IFRS 9, the Company calculated the expected credit losses on intercompany loans based on lifetime expected credit loss. The expected credit loss is re-evaluated when credit risk significantly changes. Annually, the Company uses available external data on oil and gas industry default rates, where available, or speculative bond default rates as the basis for determining expected credit loss.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, to the date that control ceases.

**(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.

**(d) Oil and gas assets**

The Group's capitalised oil and gas costs relate to properties that are in the development, exploration and evaluation stage.

As allowed under IFRS 6, the Group has continued to apply its existing accounting policy to exploration and evaluation activity, subject to the specific requirements of the standard.

The Group applies the successful efforts method of accounting for E&E costs.

**Exploration and evaluation assets**

Under the successful efforts method of accounting, all permit acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination.

Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established, or the determination process has not been completed.

Costs are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as E&E assets.

**Treatment of exploration and evaluation expenditure at the end of appraisal activities**

Intangible E&E assets relating to each exploration permit/prospect are carried forward until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations including a review for indications of impairment. If, however, commercial reserves have been discovered and development has been approved, the carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after the conclusion of appraisal activities.

**Development and production assets**

Development and production assets are accumulated, generally, on a permit-by-permit basis, and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets, as outlined in the accounting policy above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning.

**Impairment of development and production assets**

An impairment test is performed whenever events and circumstances arising, during the development or production phase, indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared with the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from the production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally the permit, except that a number of permit interests may be grouped as a cash-generating unit where the cash flows of each permit are interdependent.

**Acquisitions, asset purchases and disposals**

Acquisitions of oil and gas properties are accounted for under the purchase method when the transaction meets the definition of a business combination or joint venture. Transactions involving the purchase of an individual permit interest, or a group of permits interests, that do not qualify as a business combination are treated as asset purchases, irrespective of whether the specific transactions involve the transfer of the permit interests directly, or the transfer of an incorporated entity. Accordingly, no goodwill arises, and consideration is allocated to the assets and liabilities purchased on an appropriate basis. Where asset purchases include the payment of additional variable payments, such as net profit interests based on future gas sales, a liability is recognised when the production and sale of gas commences.

**(e) Expenses recognition**
Expenses are recognised on an accruals basis unless otherwise stated.

**(f) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that, necessarily, take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(g) Income tax**

**Current tax**

The current tax expense is based on the taxable results for the year, using tax rates enacted or substantively enacted at the balance sheet date, including any adjustments in respect of prior years. Amounts are charged or credited to the income statement or equity, as appropriate.

**Deferred tax**

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable results will be available, against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Temporary differences arising from investments in subsidiaries give rise to deferred tax in the Company balance sheet, only to the extent that it is probable that the temporary difference will reverse in the foreseeable future, or the Company does not control the timing of the reversal of that difference.

Deferred tax is provided on unremitted earnings of subsidiaries to the extent that the temporary difference created is expected to reverse in the foreseeable future. Deferred tax is recognised in the income statement, except when it relates to items recognised directly in the statement of changes in equity, in which case it is credited or charged directly to retained earnings through the statement of changes in equity.

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash and cash equivalents also include restricted cash that has been placed as a guarantee for commitments on the permits.

**(i) Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Deferred consideration is measured at fair value. Trade receivables and other receivables are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Cash and cash equivalents comprise cash on hand and demand deposits, restricted cash and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Derivative financial instruments are measured at fair value.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, except for the liability component of the convertible bond which is measured at fair value. Warrants issued are measured at their fair value on the date of issuance. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Shares issued are held at their fair value on issue and are not subsequently remeasured.

**(j) Share-based payments**

The group issues equity-settled share-based payments to certain employees. The fair value of each long term incentive plan option ("LTIP") at the date of the grant is estimated using the Black–Scholes option-pricing model based upon the exercise price, the share price at the date of issue, volatility and the life of the option. The estimated fair value of the option is recognised as an expense over the options' vesting period with a corresponding increase to equity. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested, irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

**(k) Inventories**

Inventories represent drilling equipment and materials remaining after drilling operations are completed. Inventory is valued at lower of cost and net realisable value. The value of the inventory used during drilling operations is determined on a weighted average basis.

**(l) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**I. Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is  for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**II. Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the unwinding of discount and is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the assessment to purchase the underlying asset.

**III. Short-term leases and leases of low value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of offices, vehicles and rented staff housing (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below £4,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### (m) Discontinued operations

A discontinued operation 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 coordinated 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 profit or loss. Cash flows from discontinued operations are included in the consolidated statement of cash flows and are disclosed separately in note 27. The group includes proceeds from disposal in cash flows from discontinued operations. Additional disclosures are provided in note 27. All other notes to the financial statements include amounts for continuing operations unless indicated otherwise.

### (n) Deferred consideration

Deferred consideration relates to future funding to be received by the group from the purchaser (the purchaser) of the Company's subsidiary disposed of during the year (note 27). The Company's share of its future expenditure on the Morocco licences will be funded by the purchaser up to specified amounts detailed in note 27. Deferred consideration is recognised at fair value.

### (o) Earnings per share

Earnings per share are calculated using the weighted average number of ordinary shares outstanding during the period per IAS 33. Diluted earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of shares that would be issued on the conversion of all potentially dilutive shares to ordinary shares. It is assumed that any proceeds obtained on the exercise of any options and warrants would be used to purchase ordinary shares at the average price during the period. Where the impact of converted shares would be anti-dilutive, these are excluded from the calculation of diluted earnings.

### (p) Standards, interpretations and amendments to published standards

**New and amendments to published standards**

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. A number of amendments to standards and interpretations have been issued, but they had no material impact on the measurement, recognition, presentation or disclosure of items in the Group financial statements.

## 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 2024, 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.

## 2 Segment Information (continued)

Segment results for the year ended 31 December 2024:

| | Corporate £'000s | Development and production £'000s | Exploration and appraisal £'000s | Total £'000s |
|---|---|---|---|---|
| Other income | – | – | – | – |
| Impairment of development assets and exploration costs | – | (122,042) | – | (122,042) |
| Administration expenses | (4,586) | – | – | (4,586) |
| **Operating (loss)/profit segment result** | (4,586) | (122,042) | – | (126,628) |
| Interest receivable | 12 | – | – | 12 |
| Finance expense and exchange adjustments | (8) | – | – | (8) |
| **Loss for the year before taxation from continuing operations** | (4,582) | (122,042) | – | (126,624) |

The segments assets and liabilities at 31 December 2024 is as follows:

| | Corporate £'000s | Development and production £'000s | Exploration and appraisal £'000s | Total £'000s |
|---|---|---|---|---|
| Non-current assets | 61 | 28,707 | 18,385 | 47,153 |
| Current assets | 9,513 | 1,649 | 74 | 11,236 |
| Liabilities attributable to continuing operations | (25,818) | (15,433) | (121) | (41,372) |

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

| | UK £'000s | Morocco £'000s |
|---|---|---|
| Development and production assets | – | 10,485 |
| Fixtures, fittings and office equipment | 3 | 1 |
| Deferred consideration | – | 21,045 |
| Software | 49 | 8 |
| Prepayments | – | 1,522 |
| Exploration and evaluation assets | – | 14,040 |
| **Total** | 52 | 47,101 |

## 2 Segment Information (continued)

Segment results for the year ended 31 December 2023 were as follows:

| | Corporate £'000s | Development and production £'000s | Exploration and appraisal £'000s | Total £'000s |
|---|---|---|---|---|
| Other income | – | – | 4 | 4 |
| Impairment of development assets and exploration costs | – | – | – | – |
| Administration expenses | (2,311) | – | – | (2,311) |
| Operating (loss)/profit segment result | (2,311) | – | 4 | (2,307) |
| Interest receivable | 25 | – | – | 25 |
| Finance expense and exchange adjustments | (4,612) | – | – | (4,612) |
| (Loss)/profit for the year before taxation from continuing operations | (6,898) | – | 4 | (6,894) |

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

| | Corporate £'000s | Development and production £'000s | Exploration and 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 2023 geographical split of non-current assets 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 Other Income

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| Research and development expenditure credit | **–** | 4 |

In prior 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 Operating (Loss)/Profit

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| **Operating (loss)/profit is stated after charging:** | | |
| Depreciation | **128** | 174 |
| Employee costs | **2,290** | 1,050 |
| Impairment of development assets and exploration costs | **122,042** | – |

## 5 Auditor's Remuneration

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | **63** | 63 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| The audit of the Company's subsidiaries pursuant to legislation | **7** | 5 |
| Other assurance services | **–** | – |
| Tax services | **11** | 13 |
| | **81** | 81 |

## 6 Employee Costs

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| Staff costs, including the Executive Chairman and Executive Directors | | |
| Share-based payments | **240** | 239 |
| Wages and salaries | **2,372** | 1,143 |
| Social security costs | **146** | 145 |
| Employee benefits | **76** | 66 |
| Employee costs capitalised to development and intangible assets | **(544)** | (543) |
| **Total** | **2,290** | 1,050 |

| | **2024 Number** | 2023 Number |
|---|---|---|
| The average monthly number of employees (including the Executive Chairman and Executive Directors) was: | | |
| Technical and operations | **5** | 5 |
| Management and administration | **8** | 8 |
| **Total** | **13** | 13 |

A proportion of the Group's employee costs (£0.5 million (2023: £0.5 million) is capitalised on the cost of development, exploration and appraisal under the Group's accounting policy for these assets.

## 7 Finance Revenue

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| Interest on cash at bank and short-term deposits | **12** | 25 |

## 8 Taxation

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

| | 2024 £'000s | 2023 £'000s |
|---|---|---|
| Current tax | | |
| UK Corporation Tax | – | – |
| Adjustment to tax expense in respect of prior years | – | (1) |
| Tax cases settlement (overseas tax) | – | – |
| **Total current tax (charge)/credit** | – | (1) |
| Deferred tax credit arising in the current year | – | – |
| **Total tax (charge)/credit** | – | (1) |

### (b) Reconciliation of tax charge

| | 2024 £'000s | 2023 £'000s |
|---|---|---|
| Loss before tax | **(126,624)** | (6,894) |
| Tax (charge)/credit charged at UK corporation tax rate of 25% (2023: 23.5%) | **31,656** | 1,620 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | **(231)** | (78) |
| Impairment not deductible for tax purposes | **(30,511)** | – |
| Tax losses not recognised | **(924)** | (1,232) |
| Change in UK tax rate | – | (310) |
| Differences in overseas tax rates | **10** | (1) |
| **Total tax (charge)/credit** | – | (1) |

Deferred tax assets have not been recognised in respect of tax losses available due to the uncertainty of the utilisation of those assets. Unused tax losses as at 31 December 2024 were estimated to be approximately £6.9 million (2023: £9.8 million). The decrease in estimated losses arose following disposal of SEME.

The Group had tax cases where Morocco Tax Authority had claimed taxes relating to the Group's historical permits transfers and intragroup transactions. In May 2023, the Company entered into a settlement agreement with Morocco Tax Authority on a phased payment schedule back ended over 6 years.

The table below sets out the current and non-current tax liability and the movement during the year.

| | 2024 £'000s | 2023 £'000s |
|---|---|---|
| Amounts due within one year | – | 199 |
| Amounts due after more than one year | – | 1,410 |
| | – | 1,609 |
| The movement during the year is as below: | | |
| As at 1 January | **1,609** | 1,631 |
| Change in/unwinding of discount | **(165)** | 101 |
| Tax payment | – | (126) |
| Exchange adjustment | **(14)** | 3 |
| Disposal of subsidiary | **(1,430)** | – |
| **As at 31 December** | – | 1,609 |

## 9 (Loss)/Profit 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 and warrants were converted into shares. Basic and diluted profit/(loss) per share is calculated as follows:

| | **2024**<br>**£'000s** | 2023<br>£'000s |
|---|---|---|
| Loss after tax from continuing operations | **(126,624)** | (6,895) |
| Loss after tax from discontinued operations | **(24,196)** | (265) |
| **Total loss for the year after taxation** | **(150,820)** | (7,160) |

| | **2024**<br>**Million** | 2023<br>Million |
|---|---|---|
| **Basic weighted average shares in issue** | **2,017** | 1,882 |
| Dilutive potential ordinary shares | **–** | – |
| **Diluted weighted average number of shares** | **2,017** | 1,882 |

| | **2024**<br>**Pence** | 2023<br>Pence |
|---|---|---|
| Basic and diluted loss per share from continuing operations | **(6.28)** | (0.37) |
| Basic and diluted loss per share from discontinued operations | **(1.20)** | (0.01) |
| **Basic and diluted loss per share from continuing and discontinued operations** | **(7.48)** | (0.38) |

Due to loss during the year, the effect of the potential dilutive shares on the earnings per share would have been anti-dilutive and therefore were not included in the calculation of the dilutive earnings per share.

## 10 Property, Plant and Equipment

| | Development and production assets<br>£'000s | Fixtures, fittings and office equipment<br>£'000s | Right-of-use assets<br>£'000s | **2024**<br>**£'000s** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2024 | 157,816 | 644 | 331 | **158,791** |
| Additions | 5,258 | 2 | – | **5,260** |
| Exchange adjustments | 2,023 | – | – | **2,023** |
| Disposal on expiry of lease | – | – | (331) | **(331)** |
| Disposal on sale of subsidiary | (30,191) | (278) | – | **(30,469)** |
| **At 31 December 2024** | **134,906** | **368** | **–** | **135,274** |
| **Impairment and depreciation** | | | | |
| At 1 January 2024 | – | 634 | 230 | **864** |
| Charge for period | 129,845 | 2 | 101 | **129,948** |
| Exchange adjustments | 2,393 | – | – | **2,393** |
| Disposal on expiry of lease | – | – | (331) | **(331)** |
| Disposal on sale of subsidiary | (7,817) | (272) | – | **(8,089)** |
| **At 31 December 2024** | **124,421** | **364** | **–** | **124,785** |
| **Net book amount** | **10,485** | **4** | **–** | **10,489** |

## 10 Property, Plant and Equipment (continued)

| | Development and production assets £'000s | Fixtures, fittings and office equipment £'000s | Right-of-use assets £'000s | 2023 £'000s |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2023 | 163,074 | 656 | 331 | 164,061 |
| Additions | 2,737 | 2 | – | 2,739 |
| Exchange adjustments | (7,995) | (14) | – | (8,009) |
| At 31 December 2023 | 157,816 | 644 | 331 | 158,791 |
| Impairment and depreciation | | | | |
| At 1 January 2023 | – | 642 | 57 | 699 |
| Charge for period | – | 4 | 173 | 177 |
| Exchange adjustments | – | (12) | – | (12) |
| At 31 December 2023 | – | 634 | 230 | 864 |
| Net book amount | 157,816 | 10 | 101 | 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 27). 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 as a result, impairment loss was recognised. Similarly, for continuing operations, the Company estimated the recoverable amount by reference to the fair value of the Tendrara Production Concession (Concession) attributable to the discontinued operation and recognised an impairment loss. The transaction with Managem completed in December 2024 (note 27) and an update of the impairment test was undertaken. In calculating the fair value less cost to sell, the Company included in its valuation the consideration received and receivable from sale of SEME, which comprised; expenditure incurred on the licence from 1 January 2022 to the date of disposal (back costs), Concession Phase 2 funding of up to $24.5 million, funding for one exploration well each on the Anoual and Grand Tendrara licences of up to $2.6 million and $3.6 million, respectively and $1.5 million on achieving first gas on Concession Phase 2. The funding for Concession Phase 2 and the exploration wells is expected to be received over the period to July 2028 based on the Company's understanding of the timing of the operations. The impairment test calculations in prior year were based on a discounted cashflow model that took account of forecast and projections of various elements including, future gas prices, field production profile, development expenditure among others. In the current year, the Company has used fair value less cost to sell as explained above, as the basis for the impairment test since a recent market transaction was considered a reasonable basis to use. The impairment loss has primarily arisen due the change in the impairment test method during the period.

The total impairment loss for discontinued operation recognised amounted to approximately £7.8 million and in respect of the continuing operations, approximately £124.4m (inclusive of exchange rate movements). The Company used a discount rate of 10.55% at 31 December 2024, a decrease from 11.25% at 31 December 2023 due to changes in financial market conditions and certain corporate parameters during the period. A change in the discount rate by 1% has a £0.1m impact of the impairment charge for continuing operation and a 10% reduction in amount receivable for future funding of Concession Phase 2 and the exploration wells would increase the impairment charge for continuing operations by £0.6 million.

## 11 Intangibles

| | Software £'000s | Exploration & Evaluation Assets £'000s | 2024 £000s |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2024 | 382 | 45,582 | **45,964** |
| Additions | 53 | 696 | **749** |
| Exchange adjustments | (1) | 335 | **334** |
| Disposal | (252) | (32,573) | **(32,825)** |
| **At 31 December 2024** | **182** | **14,040** | **14,222** |
| | | | |
| **Impairment and depreciation** | | | |
| At 1 January 2024 | 356 | 10,606 | **10,962** |
| Charge for the year | 25 | 16,501 | **16,526** |
| Exchange adjustments | (4) | 211 | **207** |
| Disposal | (252) | (27,318) | **(27,570)** |
| **At 31 December 2024** | **125** | **–** | **125** |
| **Net book amount** | **57** | **14,040** | **14,097** |

| | Software £'000s | Exploration & Evaluation Assets £'000s | 2023 £'000s |
|---|---|---|---|
| Cost | | | |
| At 1 January 2023 | 375 | 46,594 | 46,969 |
| Additions | 22 | 729 | 751 |
| Exchange adjustments | (15) | (1,741) | (1,756) |
| At 31 December 2023 | 382 | 45,582 | 45,964 |
| Impairment and depreciation | | | |
| At the start of the year | 356 | 10,606 | 10,962 |
| Charge for the year | 17 | – | 17 |
| Exchange adjustments | (17) | – | (17) |
| At 31 December 2023 | 356 | 10,606 | 10,962 |
| Net book amount | 26 | 34,976 | 35,002 |

### 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 IFRS 6 paragraph 20. In performing their assessment of each of these factors, at 31 December 2024, the directors have:

- reviewed the time period that the Group has the right to explore the area and noted no instances of expiration, or permits 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 permits;
- 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 permits 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. Included in the charge for the year is approximately £16.5 million impairment following the measurement of intangible assets at the lower of their carrying amount and fair value less costs to sell on signing of the SPA with Managem SA (note 27).

## 12 Prepayments

Non-current prepayment of £1.5 million (2023: £5.1 million) relates to activities of the Company's Phase 1 mLNG Project in the Concession.

## 13 Investment in Subsidiaries

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Intercompany loans £'000s** | **Cost of shares in subsidiaries £'000s** | **Total £'000s** | Intercompany loans £'000s | Cost of shares in subsidiaries £'000s | Total £'000s |
| **Cost** | | | | | | |
| At 1 January | **209,415** | **–** | **209,415** | 216,819 | – | 216,819 |
| Additions | **27,034** | **–** | **27,034** | 3,641 | – | 3,641 |
| Repayment of intercompany loans | **(12,459)** | **–** | **(12,459)** | (161) | – | (161) |
| Write-off on disposal of subsidiary | **(48,980)** | **–** | **(48,980)** | – | – | – |
| Reclassification to other receivables on disposal of subsidiary | **(1,908)** | **–** | **(1,908)** | – | | – |
| Exchange adjustment | **3,744** | **–** | **3,744** | (10,884) | – | (10,884) |
| At 31 December | **176,846** | **–** | **176,846** | 209,415 | – | 209,415 |
| **Credit loss allowance and impairment** | | | | | | |
| At 1 January | **19,266** | **–** | **19,266** | 19,687 | – | 19,687 |
| Decrease in credit loss | **(14,359)** | **–** | **(14,359)** | (421) | – | (421) |
| Impairment loss during the year | **124,421** | **–** | **124,421** | – | – | – |
| At 31 December | **129,328** | **–** | **129,328** | 19,266 | – | 19,266 |
| Net book amount at 31 December | **47,518** | **–** | **47,518** | 190,149 | – | 190,149 |

The subsidiary companies of the Company at 31 December 2024, which are all 100% owned by the Company, are:

| **Name** | **Incorporated** | **Principal activity** | **Registered addresses** |
|---|---|---|---|
| Sound Oil International Limited | British Virgin Isles | Holding Company | PO Box 173, Kingston, Chambers Road, Tortola, VG 1110, British Virgin Islands |
| Sound Oil (Asia) Limited | British Virgin Isles | Holding Company | PO Box 173, Kingston, Chambers Road, Torola, VG 1110, British Virgin Islands |
| Arran Energy Holdings Limited | British Virgin Isles | Exploration Company | PO Box 662, Road Town, Tortola, VG 1110, British Virgin Islands |
| Mitra Energia Citarum Limited* | Mauritius | Exploration Company | Fifth Floor, Ebene, Esplanade, 24 Cybercity, Ebene, Mauritius |
| Sound Energy New Ventures Limited | UK | Dormant | 20 St Dunstan's Hill, London EC3R 8HL, UK |

## 13 Investment in Subsidiaries (continued)

| Name | Incorporated | Principal activity | Registered addresses |
|---|---|---|---|
| Sound Energy Sustainables Limited | UK | Renewable Energy | 20 St Dunstan's Hill, London EC3R 8HL, UK |
| Sound Energy Morocco South Limited | UK | Exploration Company | 20 St Dunstan's Hill, London EC3R 8HL, UK |
| Sound Energy Meridja Limited | UK | Exploration and Development Company | 20 St Dunstan's Hill, London EC3R 8HL, UK |

* The investment in Mitra Energia Citarum Limited is held, indirectly, via Sound Oil International Limited

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 production assets, as, ultimately, the cash flows these generate will determine the subsidiaries ability to pay returns to the Company, an impairment of £124.4 million (2023: nil) was recognised for the investment in subsidiaries following the recognition of impairment in the development and production assets (note 10).

On the adoption of IFRS 9, the Company calculated the expected credit losses on intercompany loans based on lifetime expected credit loss. The expected credit loss is re-evaluated when credit risk significantly changes. Annually, the Company uses available external data on oil and gas industry default rates, where available, or speculative bond default rates. The Company used a cumulative default rate of 9.36% (2023: 9.2%), obtained from publicly available data published by leading credit rating agencies. Following the impairment and write-offs of some intercompany balances on disposal of a subsidiary, a reduction of credit loss of £14.4 million (2023: £0.4 million) was recognised in the income statement.

The Company has funded its subsidiaries through non-interest bearing loans payable on demand. Given that the Company has no intention of calling in the loans in the foreseeable future, the loans are classified as non-current investments.

**Composition of the Group**

Information about the composition of the Group at the end of the reporting period is as follows:

| Principal activity | Place of incorporation | Place of operation | **2024 Number** | 2023 Number |
|---|---|---|---|---|
| Gas exploration | UK | Morocco | **2** | 3 |
| Holding companies | UK | UK | **1** | 1 |
| Dormant | UK | UK | **1** | 1 |
| Renewable energy | UK | Morocco | **1** | 1 |
| Holding companies | British Virgin Isles | British Virgin Isles | **2** | 2 |
| Gas exploration | British Virgin Isles | Morocco | **1** | 1 |
| Holding companies | Mauritius | Mauritius | **1** | 1 |

## 14 Deferred consideration

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| At 1 January | **–** | – |
| Fair value of consideration receivable | **20,696** | – |
| Exchange adjustments | **349** | – |
| At 31 December | **21,045** | – |

Deferred consideration relates to future funding to be received by the group from the purchaser (the purchaser) of the Company's subsidiary disposed of during the year (note 27). The Company's share of its future expenditure on the Tendrara Production Concession Phase 2 development (Phase 2 development) will be funded by the purchaser up to \$24.5 million, the purchaser will also fund the drilling of one exploration well on each of the Anoual and Grand Tendrara licences for up to \$2.6 million and \$3.6 million, respectively, and pay to the group \$1.5 million upon achieving first gas on the Phase 2 development. The Company has calculated the deferred consideration after taking account of the expected timing of receipt of the various elements of the deferred consideration based on current estimates of the timing of the operations and applied a discount rate of 10.55% (note 10).

## 15 Other receivables

**Group**

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| UK VAT | **–** | 23 |
| Morocco VAT | **5** | 426 |
| Other receivables | **401** | 475 |
| Advances and receivables from former subsidiary | **2,841** | – |
| | **3,247** | 924 |

**Company**

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| UK VAT | **–** | 23 |
| Other receivables | **45** | 36 |
| Receivables from former subsidiary | **1,908** | – |
| | **1,953** | 59 |

Following the disposal of subsidiary (note 27) approximately £1.9 million relating to services provided by the Company to the former subsidiary in respect of the joint operations relating to the Morocco licences was reclassified from intercompany to other receivables as the amount is expected to be received as agreed by the Company and the purchase of the subsidiary. The Group provides funding, to the operator of the joint operations, for its share of expenditure in respect of the Morocco licences in advance of the expenditure being incurred. The amount advanced is reduced by the Group's share of actual expenditure incurred during the period. The resulting net position at the end of the year was a receivable of approximately £0.9 million and is included in the line advances and receivables from former subsidiary.

## 16 Cash and Cash Equivalents

| Group | 2024<br>£'000s | 2023<br>£'000s |
|---|---|---|
| Cash at bank and in hand | **6,155** | 1,453 |
| Cash equivalents: | | |
| Short-term deposits | **1,740** | 1,563 |
| **Carrying amount 31 December** | **7,895** | 3,016 |
| Being: | | |
| In US dollar | **6,100** | 2,734 |
| In euros | **17** | 13 |
| In sterling | **1,770** | 243 |
| In Moroccan dirham | **8** | 26 |
| **Total** | **7,895** | 3,016 |

| Company | 2024<br>£'000s | 2023<br>£'000s |
|---|---|---|
| Cash at bank and in hand | **6,141** | 45 |
| Cash equivalents: | | |
| Short-term deposits | **1,740** | 188 |
| **Carrying amount 31 December** | **7,881** | 233 |
| Being: | | |
| In US dollar | **6,100** | 6 |
| In euros | **17** | 13 |
| In sterling | **1,764** | 214 |
| **Total** | **7,881** | 233 |

The Group has provided collateral of $nil (2023: $1.75 million (£1.4 million)) to the Morocco Ministry of Petroleum to guarantee the Group's minimum work programme obligations. The cash was held in a bank account under the control of the Company and, as the Group expected the funds to be released as soon as the commitment was fulfilled, on this basis, the amount was included within cash and cash equivalents.

## 17 Trade and Other Payables

| Group | 2024<br>£'000s | 2023<br>£'000s |
|---|---|---|
| Trade payable | **46** | 716 |
| Payroll taxes and social security | **108** | 145 |
| Accruals | **3,511** | 1,634 |
| | **3,665** | 2,495 |

| Company | 2024<br>£'000s | 2023<br>£'000s |
|---|---|---|
| Trade payable | **46** | 102 |
| Payroll taxes and social security | **108** | 135 |
| Accruals | **3,390** | 184 |
| | **3,544** | 421 |

## 18 Lease Liabilities

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| Amounts due within one year | **–** | 121 |
| Amounts due after more than one year | **–** | – |
| | **–** | 121 |

The movement during the year is as below:

| | **2024 £'000s** | 2023 £'000s |
|---|---|---|
| As at 1 January | **121** | 283 |
| Unwinding of discount | **3** | 18 |
| Payments | **(124)** | (180) |
| **As at 31 December** | **–** | 121 |

## 19 Capital and Reserves

**Group and Company**

| | **2024 Number of shares** | **£'000s** | 2023 Number of shares | £'000s |
|---|---|---|---|---|
| Ordinary shares – 1p | **2,080,622,679** | **20,806** | 1,963,122,679 | 19,631 |

| | **2024 Number of shares** | 2023 Number of shares |
|---|---|---|
| At 1 January | **1,963,122,679** | 1,848,702,674 |
| Issued during the year for cash | **–** | – |
| Non-cash share issue | **117,500,000** | 114,420,005 |
| **At 31 December** | **2,080,622,679** | 1,963,122,679 |

The share issues described below were all non-cash transactions.

**Share issues**

In April 2024, the Company issued 30,000,000 shares following a partial accrued interest conversion amounting to £300,000 by the holders of the Company's convertible bonds.

In July 2024, the Company issued 50,000,000 shares following a partial accrued interest conversion amounting to £500,000 by the holders of the Company's convertible bonds.

In October 2024, the Company issued 37,500,000 shares following a partial accrued interest conversion amounting to £375,000 by the holders of the Company's convertible bonds.

**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.

## 20 Related Party Disclosures

### Key management

As at 31 December 2024, there were two key management personnel other than directors of the Company (2023: two). Details of the directors' remuneration are set out in the Report of Directors' Remuneration. The table below shows the total remuneration of key management personnel, including the directors.

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| Salaries and employee benefits | **1,982** | 1,041 |
| Share-based payments | **240** | 239 |
| | **2,222** | 1,280 |

### Key management (including Executive Directors) interest in LTIP and nil cost options

LTIP options awards by key management (including Executive Directors), at 31 December 2023, have the following expiry dates and exercise prices:

| | Expiry date | Exercise price Pence | **2024 Number** | 2023 Number |
|---|---|---|---|---|
| 2022 | 2032 | 2.4p | **31,769,085** | 31,769,075 |

Nil cost bonus options awards by key management (including Executive Directors) at 31 December 2024 have the following expiry dates and exercise prices:

| | Expiry date | **2024 Number** | 2023 Number |
|---|---|---|---|
| 2022 | 2027 | **12,048,960** | 12,048,960 |

## 21 Financial Instruments Risk Management

### Objectives and policies

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial instruments comprise trade payables, loans and borrowings, receivables, deferred consideration, cash and short-term deposits. The main purpose of the financial instruments is to finance the Group's operations. The fair value of the financial instruments is their carrying value, with the carrying value amounts included in the Group balance sheet with further analysis in note 15 (Other Receivables), note 16 (Cash and Cash Equivalents), note 17 (Trade and Other Payables) and note 26 (Loans and Borrowings).

The table below sets out the Group's accounting classification of its financial assets and liabilities.

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| Financial assets | | |
| Cash and short-term deposits | **7,895** | 3,016 |
| Other receivables | **3,247** | 924 |
| Deferred consideration | **21,045** | – |
| | **32,187** | 3,940 |
| Financial liabilities | | |
| Trade and other payables | **3,665** | 2,495 |
| Loans and borrowings | **37,707** | 33,285 |
| | **41,372** | 35,780 |

## 21 Financial Instruments Risk Management (continued)

### Fair value measurements

The Company classifies the fair value of the financial instruments according to the following hierarchy, based on the number of observable inputs used to value the instrument. The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology are derived from quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for, substantially, the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be, substantially, observed or corroborated in the marketplace.
- Level 3 – inputs to the valuation methodology are not based on observable market data.

The convertible bond amount of £0.3 million at year end was measured at fair value and falls to Level 2 above. A discounted cashflow method was used using a discount rate of 17.7% to discount the outstanding interest of £0.6 million over the outstanding term of the bonds. The discount rate is made up of the coupon interest plus a premium of approximately 2.7%, determined by reference to default spread of the region in which the Company operates.

The deferred consideration amount of £21.0 million at year end was measured at fair value and falls to level 2 above. The amount receivable are known and the timing of receipts can be reasonably estimated as described on note 14. A discounted cashflow method was used using a discount rate of 10.55% (note 10) over the expected timing of receipts of the deferred consideration.

### Risks

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk (note 22). The Board of Directors reviews and agrees with policies for managing each of these risks, which are summarised below:

### Market risk

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates, primarily, to the Group's deposit accounts and short-term debt instruments.

The Group's policy is to manage this exposure by investing in short-term, low-risk bank deposits.

### Capital management

The Group's objective, when managing capital, is to safeguard the Group's ability to continue as a going concern to provide return for shareholders, benefit for other stakeholders, and to maintain optimal capital structure and to reduce the cost of capital. Management considers as part of its capital the financial sources of funding from shareholders and third parties. To ensure an appropriate return for shareholder capital invested in the Group, management thoroughly evaluates all material projects and potential acquisitions and have them approved by the Board of Directors where applicable. The Group monitors capital on a short and medium-term view.

The table below illustrates the Group's capital structure.

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| Borrowings | **(37,707)** | (33,285) |
| Cash and cash equivalents | **7,895** | 3,016 |
| Net debt | **(29,812)** | (30,269) |
| Total capital excluding reserves: | | |
| Equity share capital | **20,806** | 19,631 |
| Equity share premium | **20,267** | 20,267 |
| Shareholders' equity | **17,017** | 166,708 |

## 22 Foreign Currency and Other Risks

Foreign currency risk arises from the Group's financial instruments (note 21). As a result of most of the Group's operations being denominated in US dollar (USD), the Group's balance sheet can be impacted by movements in the USD exchange rate against sterling (GBP). Such movements will result in book gains or losses, which are unrealised and will be offset if the exchange rate moves in the opposite direction.

The GBP cost of the assets being acquired with the USD rises or falls, pro rata, to the currency movement, so the purchasing power of the USD remains the same.

As the Group also holds some Moroccan dirham (MAD) and Euro (EUR) denominated assets, the following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR or MAD exchange rates, with all other variables held constant, of the Group's profit or loss before tax. Wherever possible, the Company holds the same currency as our liabilities, thereby providing a natural hedge.

| | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| | Increase/ (decrease) in rate | **Effect on profit or loss before tax £'000s** | **Effect on comprehensive income £'000s** | Effect on profit or loss before tax £'000s | Effect on comprehensive income £'000s |
| Increase in USD/GBP exchange rate | 5% | **510** | **(6,409)** | 461 | (7,065) |
| Increase in EUR/GBP exchange rate | 5% | **1,097** | **–** | 1,098 | – |
| Increase in MAD/GBP exchange rate | 5% | **(1)** | **–** | (25) | – |
| Decrease in USD/GBP exchange rate | (5%) | **(510)** | **6,409** | (461) | 7,065 |
| Decrease in EUR/GBP exchange rate | (5%) | **(1,097)** | **–** | (1,098) | – |
| Decrease in MAD/GBP exchange rate | (5%) | **1** | **–** | 25 | – |

The sensitivity table demonstrates the effect of a change in exchange rate assumptions, while other assumptions remain unchanged. In reality, such an occurrence is very unlikely due to the correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be derived from the results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual exchange rate movement occurs.

### Credit risk

The maximum credit exposure at the reporting date of each category of financial assets is the carrying value as detailed in the relevant notes. The Group's management considers that the financial assets that are not impaired for each of the reporting dates are of good credit quality.

### Liquidity risk

The Group and Company manage cash resources to ensure that sufficient funding is in place to settle obligations as they fall due. Disclosure on going concern consideration is provided in note 1. For further details on the maturity of financial liabilities, see note 26.

## 23 Financial Instruments Cash and short-term deposits

### Cash and short-term deposits

| | Floating rate £'000s | Fixed rate £'000s | Interest-free £'000s | Total £'000s | Weighted average rate % |
|---|---|---|---|---|---|
| **2024** | | | | | |
| Sterling | **1,745** | **–** | **25** | **1,770** | **1.58** |
| Euro | **–** | **–** | **17** | **17** | **–** |
| US dollar | **–** | **–** | **6,100** | **6,100** | **–** |
| Moroccan dirham | **–** | **–** | **8** | **8** | **–** |
| | **1,745** | **–** | **6,150** | **7,895** | |
| 2023 | | | | | |
| Sterling | 218 | – | 25 | 243 | 1.3 |
| Euro | – | – | 13 | 13 | – |
| US dollar | 1,374 | – | 1,360 | 2,734 | 0.5 |
| Moroccan dirham | – | – | 26 | 26 | – |
| | 1,592 | – | 1,424 | 3,016 | |

Euro cash balances have been converted at the exchange rate of €1.2068: £1.00 (2023: €1.1532: £1.00). Moroccan dirham cash balances have been converted at the exchange rate of MAD12.682: £1.00 (2023: MAD12.589: £1.00). US dollar cash balances have been converted at the exchange rate of US$1.2536: £1.00 (2023: US$1.2731: £1.00).

The floating rate cash and short-term deposits comprise cash held in interest bearing deposit accounts. The Group carrying value of the financial instruments approximates the fair values.

## 24 Share-Based Payments

### Group and Company

| | 2024 £'000s | 2023 £'000s |
|---|---|---|
| Expense arising from equity settled LTIP | **240** | 239 |
| | **240** | 239 |

### LTIP Awards

The Company has a 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.

## 24 Share-Based Payments (continued)

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 Company's share price over a five-year period. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No LTIP awards were granted during 2024 or 2023. The remaining contractual life of the LTIP awards outstanding at 31 December 2024 is 7.3 years. If all the 31,769,085 LTIP awards were exercisable immediately, new ordinary shares equal to approximately 1.5% (2023: 1.6%) of the shares currently in issue, would be created.

**Nil cost options**

The Company has outstanding nil-cost options that were granted to employees in previous years in settlement of bonus awards. The nil-cost options vested immediately and expire 5 years from the grant date.

| | **Number 2024** | Number 2023 |
|---|---|---|
| Nil cost options outstanding at the start of the year | **13,796,793** | 16,812,583 |
| Granted during the year | **–** | – |
| Exercised during the year | **–** | (3,015,790) |
| Expired during the year | **–** | – |
| Nil cost options outstanding at the end of the year | **13,796,793** | 13,796,793 |

The weighted average share price at the date of vesting of the RSU awards was n/a (2022: 2.5 pence).

**Warrants**

As at 31 December 2024, the Company had the following outstanding warrants to subscribe to the Company's ordinary shares.

| **2024** | **Exercise price Pence** | **Expiry date** | **Number at 1 January** | **Granted /(exercised)** | **Expired** | **Number at 31 December** |
|---|---|---|---|---|---|---|
| **2023 Warrants** | **2.25** | **13 June 2026** | **40,476,190** | **–** | **–** | **40,476,190** |
| **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** |
| | | | **147,533,001** | **–** | **–** | **147,533,001** |

| 2023 | Exercise price Pence | Expiry date | Number at 1 January | Granted /(exercised) | Expired | Number at 31 December |
|---|---|---|---|---|---|---|
| 2023 Warrants | 2.25 | 13 June 2026 | – | 40,476,190 | – | 40,476,190 |
| 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 |
| | | | 107,056,811 | 40,476,190 | – | 147,533,001 |

## 25 Commitment and Guarantees

At 31 December 2024, the Group's capital expenditure commitment on its permits was, approximately, £2.4 million, for the development, exploration and appraisal activities in the Group's permits in Morocco. The Group had placed $0.6 million collateral to guarantee to the Moroccan Oil Ministry for the minimum work commitments on its permits. In addition, the Company has granted a parent Company guarantee totalling, approximately, £0.6 million for the work commitments.

## 26 Loans and Borrowings

### Group and Company

| | Secured Bonds £'000s | Loan note-Afriquia £'000s | Convertible Bonds £'000s | Short-term loan £'000s | 2024 Total £'000s |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| **At 1 January** | – | – | – | – | – |
| **Gross amount of loan drawn down** | – | – | – | 1,100 | 1,100 |
| **Accrued interest** | – | – | – | 133 | 133 |
| **Principal loan and interest repayment** | – | – | – | (1,233) | (1,233) |
| **At 31 December** | – | – | – | – | – |
| **Non-current liabilities** | | | | | |
| **At 1 January** | 21,980 | 10,276 | 1,029 | – | 33,285 |
| **Gross amount of loan drawdown during the year** | – | 4,722 | – | – | 4,722 |
| **Amortised finance charges** | 1,422 | 816 | – | – | 2,238 |
| **Unwinding of discount** | – | – | 166 | – | 166 |
| **Interest payments** | (430) | (605) | – | – | (1,035) |
| **Debt conversion to equity** | – | – | (621) | – | (621) |
| **Principal loan repayment** | – | – | (250) | – | (250) |
| **Exchange adjustments** | (1,022) | 224 | – | – | (798) |
| **At 31 December** | 21,950 | 15,433 | 324 | – | 37,707 |

| | Secured Bonds £'000s | Loan note-Afriquia £'000s | Convertible Bonds £'000s | 2023 Total £'000s |
|---|---|---|---|---|
| Current liabilities | | | | |
| At 1 January | 1,121 | – | – | 1,121 |
| Reclassification to non-current liability | (1,121) | – | – | (1,121) |
| At 31 December | – | – | – | – |
| Non-current liabilities | | | | |
| At 1 January | 20,855 | 8,213 | – | 29,068 |
| Gross amount of loan drawdown during the year | – | 2,017 | 2,500 | 4,517 |
| Amortised finance charges | 890 | 532 | – | 1,422 |
| Unwinding of discount | – | – | 137 | 137 |
| Interest payments | (441) | – | – | (441) |
| Gross equity component at date of issue | – | – | (562) | (562) |
| Debt conversion to equity | – | – | (1,046) | (1,046) |
| Exchange adjustments | (445) | (486) | – | (931) |
| Reclassification from current liabilities | 1,121 | – | – | 1,121 |
| At 31 December | 21,980 | 10,276 | 1,029 | 33,285 |

## 26 Loans and Borrowings (continued)

The Company has €25.32 million secured bonds (the "Secured Bonds"). The Secured Bonds mature on 21 December 2027. The Secured Bonds bear 2% cash interest paid per annum until maturity and a 3% interest per annum to be paid at 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 6.5%.

The Company has a $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 was deferred and capitalised semi-annually, until the second anniversary of the issue of Notice to Proceed. Repayment 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 Loan is secured on the issued share capital of Sound Energy Meridja Limited. The weighted effective interest on the drawdowns made 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. During the year, the Company issued 117.5 million new shares following the conversion of £1,175,000 of accrued interest on the Bonds, leaving £0.6 million accrued interest outstanding. The fair value of the debt converted to equity was £0.6 million which when compared to the par value of the shares issued of £1.2 million, resulted in a difference of £0.6 million that was first recorded in equity and subsequently transferred to the profit and loss account. The Company repaid £250,000, being the principal amount that was outstanding. The carrying amount of the Bonds is stated at fair value and is measured using the discounted cashflow method. A discount rate of 17.7% was used to discount the outstanding capitalised interest over the outstanding term of the Bonds.

In Q3 2024, the Company entered into a short-term bridge loan with a high-net-worth investor for up to £1.5 million, available for three months and any amount drawn down attracted interest of 15% per quarter. The Company made downs amounting to £1.1 million which attracted interest of £133,000. The principal and interest amounts were repaid in December 2024.

**Reconciliation of liabilities arising from financing activities**

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| **2024** | **1 January 2024 £'000s** | **Cash flows £'000s** | **Finance charges £'000s** | **Exchange adjustments £'000s** | **Convertible Bonds non-cash movements £'000s** | **31 December 2024 £'000s** |
| **Long-term borrowings** | **33,285** | **3,304** | **2,537** | **(798)** | **(621)** | **37,707** |
| **Leases** | **121** | **(124)** | **3** | **–** | **–** | **–** |
| **Total liabilities from financing activities** | **33,406** | **3,180** | **2,540** | **(798)** | **(621)** | **37,707** |

## 26 Loans and Borrowings (continued)

| 2023 | 1 January 2023 £'000s | Cash flows £'000s | Non-cash changes: Finance charges £'000s | Non-cash changes: Exchange adjustments £'000s | Non-cash changes: Convertible Bonds non-cash movements £'000s | 31 December 2023 £'000s |
|---|---|---|---|---|---|---|
| Long-term borrowings | 30,189 | 4,001 | 1,559 | (931) | (1,533) | 33,285 |
| Leases | 283 | (180) | 18 | – | – | 121 |
| Total liabilities from financing activities | 30,472 | 3,821 | 1,577 | (931) | (1,533) | 33,406 |

**Reconciliation of finance expense**

| | **2024** | 2023 |
|---|---|---|
| | **£'000s** | £'000s |
| Amortised finance charges | **2,371** | 1,422 |
| Unwinding of discount | **169** | 256 |
| Bond issue costs expensed | **–** | 601 |
| Less capitalised interest | **(238)** | (285) |
| **Total finance expense for the year** | **2,302** | 1,994 |

## 27 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 Tendrara 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 Tendrara licence; and
- 47.5% interest in the Anoual licence.

The consideration included:

- Back costs (expenditure on licences) from 1 January 2022 to completion date, net of working capital and other adjustments, $13.1 million;
- Tendrara Production Concession Phase 2 carry of up to $24.5 million;
- Anoual licence carry on one well, $2.6 million;
- Grand Tendrara licence carry on one well, $3.6 million;
- On achieving Phase 2 first gas, $1.5 million.

The transaction was completed in December 2024 and the Company received $13.1 million cash with the other elements of the consideration remaining as deferred consideration.

The results of the discontinued operations are presented below.

## 27 Discontinued operations (continued)

| | **2024*** **£'000s** | 2023 £'000s |
|---|---|---|
| **Other income** | **–** | 38 |
| Impairment of tangible and intangible assets | **–** | – |
| **Gross loss** | **–** | 38 |
| Administrative expenses | **(563)** | (85) |
| **Operating loss from discontinued operations** | **(563)** | (47) |
| Finance revenue | **11** | 17 |
| Foreign exchange loss | **(76)** | (127) |
| Finance costs recovery/(expense) | **165** | (101) |
| Foreign currency translation loss reclassified from other comprehensive income | **(295)** | – |
| Loss on disposal of subsidiary | **(23,438)** | – |
| **Loss for the period before taxation from discontinued operations** | **(24,196)** | (258) |
| Tax expense | **–** | (7) |
| **Loss for the period after taxation from discontinued operations** | **(24,196)** | (265) |

- Represents the results for the period to divestment date on 10 December 2024.

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

| | 2024 £'000s | 2023 |
|---|---|---|
| Net cash flow from operating activities | (816) | 189 |
| Net cash flow from investing activities | 9,236 | – |
| Net cash flow from financing activities | – | – |
| Net cash inflow/(outflow) | 8,420 | 189 |

The calculation of loss on disposal of subsidiary is shown below:

| | 2024 £'000s | 2023 £'000s |
|---|---|---|
| **Consideration** | | |
| Cash consideration received on completion | 10,240 | – |
| Fair value of deferred consideration | 20,696 | – |
| **Total consideration on disposal** | **30,936** | **–** |
| Carrying amount of net assets disposed | (28,807) | – |
| Impairment and other expenses on disposal | (25,567) | – |
| **Loss on disposal of subsidiary** | **(23,438)** | **–** |

## 28 Post Balance Sheet Events

In February 2025, the Company announced the resignation of its Chief Operating Officer as a director of the Company who left full-time employment of the Group in March 2025.

In March 2025, the Company announced the mLNG project main contractor, Italfluid, and the operator of the Tendrara Production Concession had agreed to amend their contractual arrangement by terminating the vendor financed lease agreement entered into in 2020 and entering into an engineering, procurement and Construction (EPC) contract. .

## LIST OF PERMITS AND INTERESTS

| Permit | Status | Name | Type | WI (%) | Area (km$^2$) | Operator |
|---|---|---|---|---|---|---|
| Grand Tendrara | Permit | Grand Tendrara | Exploration | 27.5 | 14,411 | Sound Energy Morocco East[1] |
| Tendrara | Permit | Tendrara | Concession | 20.0 | 133.5 | Sound Energy Morocco East[1] |
| Anoual | Permit | Anoual | Exploration | 27.5 | 8,873 | Sound Energy Morocco East[1] |
| Sidi Moktar | Permit | Sidi Moktar | Exploration | 75.0 | 4,712 | Sound Energy Morocco South |

[1] Sound Energy Morocco East Limited is a wholly owned subsidiary of Managem SA following completion of the transaction of the disposal by the Sound Energy Plc of the entire issued share capital of Sound Energy Morocco East Limited to Managem SA on 10 December 2024. On 30 January 2025 Sound Energy Morocco East Limited changed name to Mana Energy Limited.

## SHAREHOLDER INFORMATION

### Dealing Information

Stock code: SOU.LN

### Financial Calendar

**Meetings**

Annual General Meeting – June 2025

**Announcements**

2025 Interim results – September 2025

2025 Preliminary results – March 2026

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