

Corporate Share Price	0.95p
Market Cap	£20m
Shares in Issue	2,081m
12m Trading Range	0.5p – 1.3p
Free Float	86%
Next Event	Operational update, Q1

Price performance (p)

Source: FactSet

Financial forecasts

Y/E Dec (£m)	2023A	2024A	2025E	2026E
Net Prod'n (mboe/d)	--	--	--	0.22
Gas Price (US\$/mcf)	--	--	--	8.1
Sales	--	--	--	3.0
EBITDA	(2.2)	(4.5)	(2.5)	(0.6)
Free Cash Flow	(5.1)	(9.1)	(11.2)	(16.2)
Net Cash/(Debt)	(30.3)	(29.8)	(42.1)	(59.9)
DPS (p)	--	--	--	--

Valuation (p/share)

Core NAV	2.2
Total Risked NAV	3.9
Total Unrisked NAV	11.0

Source: Audited accounts and Zeus estimates

Sound Energy is a nomad & broker client of Zeus

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Sound Energy

SOU LN - Oil & Gas Producers

Further Tendrara commissioning progress

Sound has announced further progress on commissioning of its Tendrara Phase 1 project in Morocco, ahead of upcoming first gas, alongside renewal of the company's Anoual exploration licence.

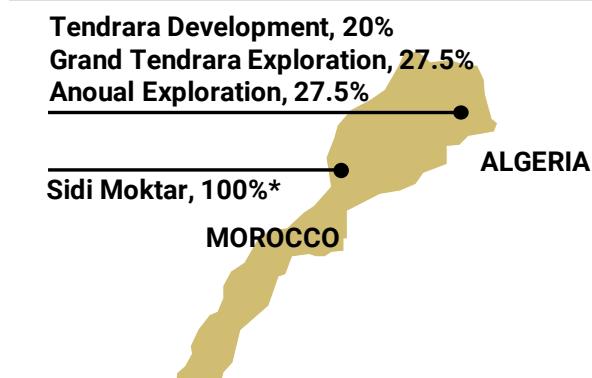
- ◆ **Tendrara gas gathering system fully commissioned.** Sound has further advanced commissioning activities at its Tendrara Phase 1 development project onshore Morocco. Commissioning gas began being introduced into the system in early December, and the company now reports that gas has been flowed from both initial production wells (TE-6 and TE-7) to fully commission the entire gas gathering system, meaning this section of the development is now fully tested and complete.
- ◆ Next on the list is using Tendrara gas flows to commission the gas-fired power for the development, and we expect this to proceed in the coming weeks. We continue to expect first gas and LNG sales from the project in late Q1/Q2 2026, which will both help further demonstrate the viability of Sound's wider Tendrara project, and provide important revenues for the company, alongside representing material news flow for the shares. The progress announced today provides an important contribution to all of this.
- ◆ **Anoual exploration licence term renewed.** Sound has also received approval of the renewal of its Anoual exploration licence. This is located next to the company's Tendrara licence, and contains various exploration opportunities. These include the planned M5 well, which is targeting 560bcf gross, and is to be paid for by Mana Energy under Sound's existing farm out. The licence extension (until September 2028) should help underpin drilling of M5, hopefully during 2026. As such, the licence extension is a positive step forward, and we await further news on drilling timing.
- ◆ **Bridging funding discussions ongoing.** Sound is also progressing discussions for a small amount of bridging funding to take the company through to first gas at Tendrara. We would expect these discussions to be targeting additional debt, and await further news in the coming weeks.
- ◆ **Forecasts and valuation.** No change.
- ◆ **Conclusion.** Sound holds the Tendrara gas asset onshore Morocco, which contains 305bcf of gross sales gas, or 10.2mmboe net to Sound's 20%. Phase 1 development is approaching first gas, with gas sales planned to get to 10mmcf/d gross (0.3mboe/d net) via a micro-LNG facility in the coming months. Phase 2 is substantially larger, targeting 42mmcf/d gross (an additional 1.4mboe/d net). In 2024 Sound closed a significant farm out to Moroccan-based natural resources player Mana Energy which, alongside project debt, is expected to see Phase 2 fully funded with Sound on 20%. We expect ongoing progression of FEED under Mana Energy's operatorship, going into Phase 2 FID in 2026, and first gas sales from Phase 2 in 2028. Once Phase 2 is onstream, our long-term forecasts imply Sound EBITDA of £19m and FCF of £14m – significant cash flows for a company of its size, which will also help pay down debt. The farm out also funds the SBK-1 and M5 exploration wells nearby Tendrara, targeted to be drilled in 2026. In terms of upcoming catalysts, we expect ongoing progression of Phase 2 FEED work, first gas and LNG sales from Phase 1 in late Q1/Q2 2026, Phase 2 FID in 2026, and the two exploration wells – a busy overall programme. Our total risked NAV is 3.9p, and we have a positive outlook for the shares.

Summary

Market Data

Share Price	0.95p
Market Capitalisation	£20m
Shares Out	2,081m
Net Cash/(Debt) end 2024	(£30m)

Morocco Asset Locations



Summary Income Statement (£m)

Year to Dec	2023A	2024A	2025E	2026E	2027E
Sales	--	--	--	3.0	4.7
Royalty	--	--	--	--	--
OPEX	--	--	--	(1.0)	(1.3)
DD&A	(0.2)	(0.1)	--	(1.0)	(1.6)
G&A	(2.2)	(4.5)	(2.5)	(2.5)	(2.6)
Op Profit	(2.4)	(4.6)	(2.5)	(1.6)	(0.9)
EBITDA	(2.2)	(4.5)	(2.5)	(0.6)	0.8
Net Interest	(2.0)	(2.3)	(2.3)	(2.9)	(4.2)
PBT (Adj)	(4.3)	(6.9)	(4.8)	(4.5)	(5.0)
Tax	(0.0)	--	--	--	--
PAT (Adj)	(4.3)	(6.9)	(4.8)	(4.5)	(5.0)
EPS (Adj)	(0.23p)	(0.34p)	(0.23p)	(0.22p)	(0.24p)

Summary Cashflow Statement (£m)

Year to Dec	2023A	2024A	2025E	2026E	2027E
Working Capital	0.4	1.7	--	--	--
Cash Tax	(0.1)	--	--	--	--
Op CF	(1.5)	(2.3)	(2.3)	(0.3)	1.1
Dev't CAPEX	(2.3)	(4.8)	(7.7)	(12.5)	(10.6)
Expl CAPEX	(0.7)	(0.7)	--	(2.1)	--
Acquisitions	--	9.2	--	--	--
Investing CF	(2.9)	3.8	(7.7)	(14.6)	(10.6)
Free CF	(5.1)	(9.1)	(11.2)	(16.2)	(12.7)
Net Borrowings	4.4	4.5	7.3	16.2	12.7
Interest Paid	(0.4)	(1.2)	(1.3)	(1.3)	(3.1)
Financing CF	3.8	3.2	6.0	14.9	9.6
Net Change in Cash	(0.6)	4.7	(3.9)	--	--
Net Cash/(Debt)	(30.3)	(29.8)	(42.1)	(59.9)	(73.7)

Summary Balance Sheet (£m)

Year to Dec	2023A	2024A	2025E	2026E	2027E
PPE & Intangibles	192.9	24.6	32.2	45.8	54.8
Receivables and Inventories	1.8	3.3	3.3	3.3	3.3
Cash and Equivalents	3.0	7.9	4.0	4.0	4.0
Total Assets	204.2	58.4	62.2	75.7	84.7
Payables	2.5	3.7	3.7	3.7	3.7
Debt	33.3	37.7	46.1	63.9	77.7
Total Liabilities	37.5	41.4	49.7	67.6	81.3
Equity	166.7	17.0	12.4	8.2	3.4
Liabilities + Equity	204.2	58.4	62.2	75.7	84.7

Source: Zeus, Company, Bloomberg, FactSet

Valuation and Production Data

Discount Rate	10.0%
LT US\$/£	US\$1.30
Diluted NOSH (m)	2,274m

Year to Dec	2023A	2024A	2025E	2026E	2027E
Brent Oil Price (US\$/bbl)	82.1	79.9	70.0	70.0	65.0
Sound Gas Price (US\$/mcf)	--	--	--	8.1	8.1
Net Oil Production (mmbbl/d)	--	--	--	--	--
Net Gas Production (mmcf/d)	--	--	--	1.3	2.1
Total Net Production (mboe/d)	--	--	--	0.22	0.34
Unit OPEX (US\$/boe)	--	--	--	(16.1)	(13.6)
Unit OCF (US\$/boe)	--	--	--	(4.9)	10.9
Unit FCF (US\$/boe)	--	--	--	(265.8)	(131.5)

Summary NAV

	Interest (%)	Net Unrisked (mmboe)	Unrisked Value (US\$/boe)	Unrisked Value (p/share)	Risked Value (US\$m)	Risked Value (p/share)
Development						
Tendrara Phase 1	20%	1	9.1	0.4	11.4	0.4
Tendrara Phase 2	20%	9	12.4	3.7	93.3	3.2
Total Development		10		4.1	105	3.5
Net Cash/(Debt)					(38.8)	(1.3)
Options/Warrants/Converts					6.3	0.2
Farm Out Payments					1.5	0.1
Additional CAPEX					--	--
Admin Costs					(8.2)	(0.3)
CORE NAV				2.8	65	2.2

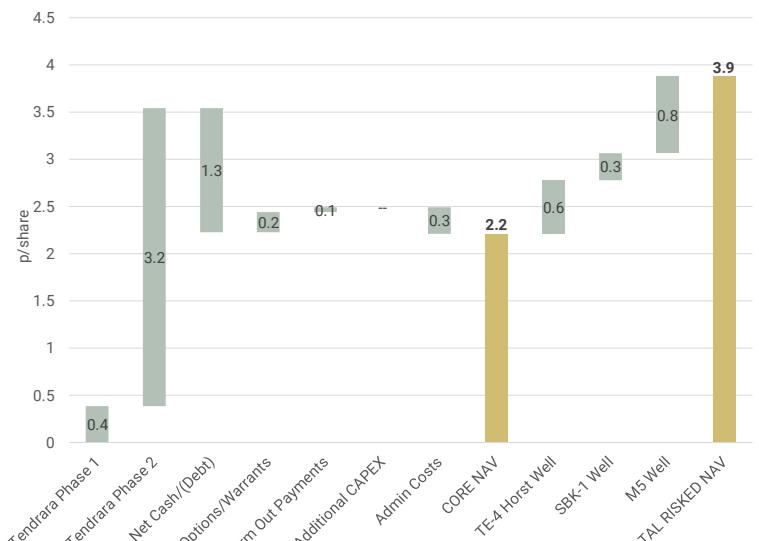
Exploration/Appraisal Upside

TE-4 Horst Well - Tendrara	27.5%	8	6.7	1.9	16.8	0.6
SBK-1 Well - Tendrara	27.5%	4	6.7	1.0	8.4	0.3
M5 Well - Anoual	27.5%	26	6.2	5.4	24.0	0.8

Total Exploration/Appraisal

Total Exploration/Appraisal	38		8.2	49	1.7
TOTAL CORE + UPSIDE NAV			11.0	115	3.9

NAV Distribution Chart



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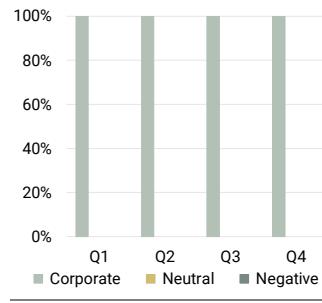
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