SOUND ENERGY PLC
Exploration & Production

Half Yearly Report 2016

stock code: SOU

UNLOCKING THE MOROCCAN GAS PROMISE

Building a Mid-cap European & African Gas Company...

Sound Energy is a European & African focused upstream Company, listed on AIM (LSE:SOU), with a supportive investor base, a strategic partnership with Schlumberger and a balanced and evolving portfolio.

We are growing counter-cyclically, delivering value through the drill bit with a potential multi Tcf discovery at Tendrara (Eastern Morocco) and have a bold growth agenda with two remaining Strategic Plays: Badile (Italy) and Sidi Moktar (Morocco).

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Sound Energy plc

Half-year Highlights

Morocco

- Significant gas discovery with the potential for a multi Tcf connected gas field, at Tendrara (onshore Morocco)
- First Tendrara well, TE-6, encountered approximately 28 metres of net gas pay in the TAGI reservoir, flow achieved pre-simulation, 17 mmscf/d achieved on test
- Significant near term development plan to secure near term cash flow
- Oil & Gas Investment Fund S.A.S. ("OGIF"), the partner on the licence, has expressed interest to fund a new pipeline connecting Tendrara to the Gazoduc Maghreb Europe ("GME") pipeline
- Second well on Tendrara, was spud on 25 August 2016, with a view to proving a sub-horizontal drilling concept
- Secured the Meridja exploration permit, adjacent to Tendrara
- Acquisition and farm-out of Sidi Moktar licences

Italy

- Final Badile drilling permission received in May 2016
- First farm-out secured with Schlumberger who will fund €7.5 million of first well at Badile in exchange for an option on 20% of the licence
- Memorandum of Understanding regarding a rig contract in relation to Badile signed with Pergemina SPA

Corporate

- Brian Mitchener, a proven world class hydrocarbon finder, joined the team as Executive Vice President, Exploration
- Inclusion in FTSE AIM UK 50 Index with effect from Monday 19 September 2016 and migration of trading to SETS, the LSE premier electronic trading service
- Completion of group debt-refinancing with issue of 5-year €28.8 million bonds

Upcoming milestones

- TE-7 drilling results and extended well test
- Planned drilling of an outpost well on Tendrara with a view to proving the multi Tcf potential
- Countdown to second Strategic Play, Badile

Statement from the Chairman and Chief Executive Officer

Stephen Whyte
Chairman

James Parsons
CEO

Whilst the challenging sector backdrop continues, Sound Energy is delivering its counter cyclical growth agenda, leveraging its world class portfolio, people and partners.

In August 2016, we were delighted to announce a resounding success at our first strategic play with a material gas discovery at Tendrara following the successful drilling of our first well on the structure. This success was shared with Schlumberger, our strategic partner, who both technically de-risks the asset as well as providing funding for the first three wells.

The results seen at TE-6, together with the lack of a gas/water contact at any of the historical wells, suggests the possibility of a significant gas column within a continuous extended structure and therefore a potential multi Tcf gas field. We are continuing our appraisal of the Tendrara licence area, with the spud of TE-7 on 25 August 2016. This well aims to prove sufficient volumes for a concession application as well as proving the benefits of sub-horizontal drilling.

We will begin to unlock the long term potential of Tendrara with the drilling of one or more outpost wells and the shooting of additional seismic.

The Company has also recently secured, subject to regulatory and other approvals, a 55% interest in the Meridja exploration permit, which is adjacent to the Tendrara licence and shares the same fundamental geology.

> **“2016 has been an incredibly exciting period for the Company so far, with Tendrara, Meridja and the Eastern Morocco TAGI play having demonstrated the potential to be a material hydrocarbon province and therefore to transform both Sound Energy and the Moroccan gas industry.”**

Following securing the final permission to drill the Badile prospect, onshore Italy, in May 2016, the countdown to our second Strategic Play has been initiated. A key step in this process has been the expansion of the Schlumberger partnership to include Badile, with Schlumberger gaining access to a 20% profit interest in the licence in exchange for funding 30% of the estimated cost of the first well and 20% of all costs thereafter. We also continue to finalise the acquisition of the 75% operated asset in the Sidi Moktar licences, onshore Morocco, and thus our third Strategic Play, with regulatory approvals expected shortly.

Our portfolio continues to include a blend of high upside exploration assets, low risk appraisal/development assets and production, which is diversified across Italy and Morocco. The pursuit of an onshore regional gas strategy, underpinned by solid European gas fundamentals and a stable, growing, gas-hungry country in Morocco has enabled the Company to continue to flourish.

The Company remains in a strong financial position, with a cash balance of $27 million at 31 August 2016 after the receipt of $1.1 million Indonesian contingent consideration, the drilling of TE-6 and the completion of its planned debt refinancing during the summer.

2016 is looking to be a pivotal year for the Company.

Our achievements would not have been possible without the efforts of our people, the governments and partners we work with and our supportive shareholders. We would like to take this opportunity to thank all of them.

Pictured: Drilling TE-6

Multi Tcf Potential in Eastern Morocco

> "A rate of 17 mmscf/d was achieved. This rate is significantly above initial expectations and represents a highly commercial rate."

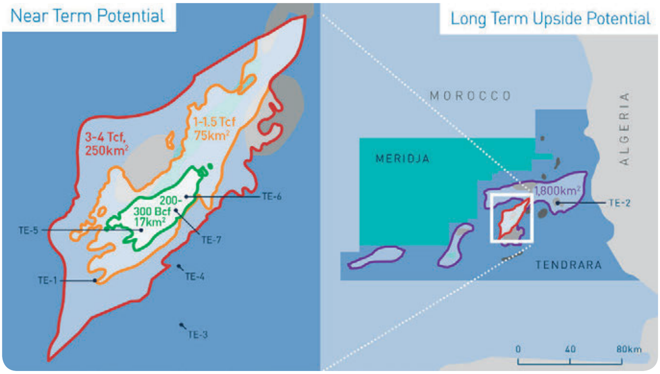
Tendrara and Meridja

Tendrara

Net effective interest Phase I 18.75%, increasing to 27.5% in Phase II; operated

Meridja

55% interest in exploration permit, subject to regulatory and other approvals; operated



Tendrara	
Area:	14,500 km^2
Status:	Permit
Effective date:	23 April 2013
Term:	8 years

Meridja	
Area:	9,000 km^2
Status:	Transitioning to Exploration Permit
Effective date:	2016
Term:	8 years

- Continuity of the Algerian Triassic Province and Saharan Hercynian platform
- Play type: gas discovery with condensate-light oil shows in the Lower Triassic sequence; TAGI sand objective
- Schlumberger Strategic Partnership where Schlumberger co-fund and technically de-risk the asset
- OGIF, the partner on the licence, has expressed interest to fund a new pipeline connecting Tendrara to the Gazoduc Maghreb Europe (GME) pipeline
- Successful drill and test of TE-6 with post-stimulation flow rate of 17 mmscf/d
- Potential for a multi Tcf connected gas field

Value from discovery

During the first half of 2016, the first Tendrara well, TE-6, was drilled to a measured vertical depth of 2,665 metres and successfully encountered approximately 28 metres of net gas pay in the TAGI reservoir. Flow was achieved pre-stimulation and, post-stimulation, a rate of 17 mmscf/d (0.5 million scm/d) was achieved. This rate is significantly above initial expectations and represents a highly commercial rate.

The reservoir bottom hole pressure recorded was 420 bars and the static pressure recorded in the well correlates, in terms of gas gradient, with all of the wells previously drilled in the licence area. The combination of these factors together with the fact that none of the historically drilled wells on the licence have identified a gas/water contact, suggests the possibility of a significant gas column within a continuous extended structure.

Multi Tcf Potential in Eastern Morocco
continued

Realising potential

The Company's second well on the licence, TE-7, was spud on 25 August 2016, with a view to proving sufficient gas volumes and well deliverability to enable finalisation of the field development plan and a concession application. The well objectives include demonstrating the benefits of sub-horizontal drilling, which is expected to be implemented as the production well concept for Tendrara.

The TE-7 site, lies between TE-5 and TE-6 and is approximately 830 metres to the Northeast of TE-5 and 1.6 kilometres from TE-6. Drilling is planned to reach a total measured depth of 3,440 metres with specific tools being used to geo steer the well at close to an 88 degree angle inside the TAGI reservoir to ensure a horizontal drain of between 600 and 900 metres. The sub-horizontal section will run to the North, parallel to the minimum horizontal stress observed in TE-6. An extended well test will follow clean-up and initial testing will take approximately 70 days thereafter to confirm production sustainability and to aid comprehensive field development planning.

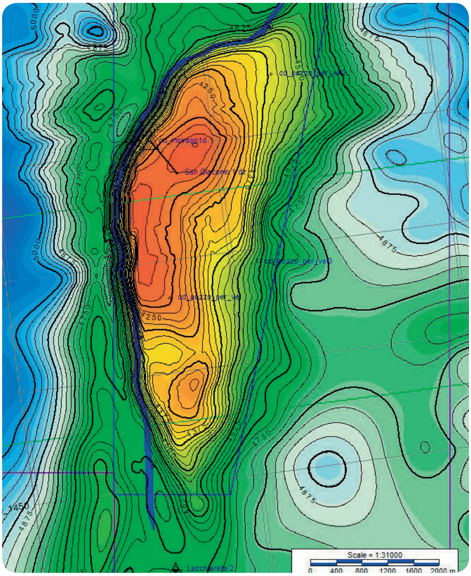
The Company, in conjunction with Schlumberger, is currently considering options for one or more outpost wells, as well as further studies, required to prove the potential of the structure. This may include and extend beyond the reservoir identified at TE-2, some 30km to the North East of TE-6.

The Company exercised its option to acquire, subject to regulatory and other approvals, a 55% participating interest in the Meridja exploration permit, onshore Morocco, from OGIF in June 2016. The Meridja licence area is adjacent to the Tendrara licence and is a highly prospective 9,000 km^2 area with the same fundamental geology as Tendrara.

Pictured: Rig platform: TE-6

Northern Italy Strategic Play

Badile



Net effective ownership 80%; operated

- Po Valley (Northern Italy); 45 km SW of analogous 'Malossa' gas field
- Principal play is oil, gas and condensate in deep Triassic dolomites and limestones
- Permit located close to Milan, with a tie-in available c. 2 km away
- Play type: Inverted fault block; gas-condensate in Mesozoic (TD c. 4,600 m)
- Secured all permissions to drill
- Well cost of €25 m (100%; tested and completed); chance of success 34%
- 142 Bscfe: 85 Bscf gas and 10 mmboe condensate (net to Sound, best-case prospective resources)

Badile	
Area:	154.5 km^2
Status:	Exploration asset
Effective date:	23 March 2010
Term:	6 years*

* Extended to the end of 2016; expected to be extended further

Realising potential

- September 2014: Land secured for the Badile exploration prospect
- January 2016: Increase in the estimated chance of success following the acquisition of additional well stratigraphic information
- February 2016: Memorandum of Understanding signed with Pergemina SPA to provide the rig for the drilling of the first exploration well
- May 2016: Received the final Badile drilling permission from the Italian Ministry of Economic Development (UNMIG)
- July 2016: Partnership with Schlumberger extended to the Badile field. Schlumberger will provide services totalling €7.5 m or 30% of the drill cost and has the option to take a 20% NPI upon the field being declared commercial
- Q3/4 2016: Preparations for drilling continue apace with spud planned before year end

Auditor's Report

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the 6 months ended 30 June 2016 which comprises the Condensed Interim Consolidated Income Statement, the Condensed Interim Consolidated Balance Sheet, the Condensed Interim Consolidated Statement of Changes in Equity, the Condensed Interim Consolidated Cash flow Statement and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company, as a body, in accordance with our instructions. Our review has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our work, for this report, or for the opinions we have reached.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM rules.

As disclosed in note one, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 6 months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Crowe Clark Whitehill LLP

Statutory Auditor

Condensed Interim Consolidated Income Statement

	Notes	**Six months ended 30 June 2016 Unaudited £'000s**	Six months ended 30 June 2015 Unaudited £'000s	Year ended 31 Dec 2015 Audited £'000s
Revenue		**529**	478	859
Other income		**715**	—	—
Operating costs		**(801)**	(291)	(538)
Impairment of producing assets		**—**	—	(6,347)
Exploration costs		**(28)**	(1)	(5,838)
Gross profit/(loss)		**415**	186	(11,864)
Administrative expenses		**(2,346)**	(1,490)	(3,181)
Group operating loss from continuing operations		**(1,931)**	(1,304)	(15,045)
Finance revenue	5	**2,717**	12	52
Foreign exchange gain/(loss)		**807**	(2,000)	(1,389)
External interest costs		**(1,183)**	(602)	(1,905)
Profit/(loss) for period before taxation		**410**	(3,894)	(18,287)
Tax expense		**—**	—	—
Profit/(loss) for period after taxation		**410**	(3,894)	(18,287)
Other comprehensive (loss)/income				
Foreign currency translation income/(loss)		**631**	(100)	(320)
Total comprehensive profit/(loss) for the period		**1,041**	(3,994)	(18,607)
Profit/(loss) for the period attributable to:				
Equity holders of the parent		**1,041**	(3,994)	(18,607)
Basic and diluted profit/(loss) per share for the period attributable to the equity holders of the parent (pence)	3	**0.08**	(0.91)	(3.90)

Condensed Interim Consolidated Balance Sheet

As at 30 June 2016

	Notes	**30 June 2016 Unaudited £'000s**	30 June 2015 Unaudited £'000s	31 Dec 2015 Audited £'000s
Non-current assets				
Property, plant and equipment		**6,952**	12,403	5,558
Intangible assets	4	**14,204**	13,859	9,564
Land and buildings		**1,493**	1,294	1,327
		22,649	27,556	16,449
Current assets				
Inventories		**327**	—	—
Other receivables		**14,147**	2,434	2,506
Prepayments		**116**	94	99
Cash and short term deposits		**14,466**	17,489	15,240
		29,056	20,017	17,845
Total assets		**51,705**	47,573	34,294
Current Liabilities				
Trade and other payables		**10,028**	3,626	2,097
Loans repayable in under one year	5	**7,704**	—	5,751
		17,732	3,626	7,848
Non-current liabilities				
Deferred tax liabilities		**2,160**	1,958	1,992
Loans due in over one year	5	**9,152**	13,538	7,157
Provisions		**1,780**	1,082	1,138
		13,092	16,578	10,287
Total liabilities		**30,824**	20,204	18,135
Net Assets		**20,881**	27,369	16,159
Capital and Reserves				
Equity share capital		**86,868**	83,086	86,315
Warrant Reserve		**3,209**	369	369
Foreign currency reserve		**1,699**	1,288	1,068
Accumulated deficit		**(70,895)**	(57,374)	(71,593)
Total Equity		**20,881**	27,369	16,159

The financial statements were approved by the Board and authorised for issue on 14 September 2016 and were signed on its behalf by:

J Parsons
Director

S Whyte
Director

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital £'000s	Share premium £'000s	Accumulated Deficit £'000s	Warrant Reserve £'000s	Foreign currency reserves £'000s	Total equity £'000s
At 1 January 2016	5,039	81,276	(71,593)	369	1,068	16,159
Total Profit for the period	—	—	410	—	—	410
Other comprehensive income	—	—	—	—	631	631
Total comprehensive income for the period	—	—	410	—	631	1,041
Fair value of warrants issued with bonds	—	—	—	2,840	—	2,840
Issue of share capital	53	500	—	—	—	553
Share based payments	—	—	288	—	—	288
At 30 June 2016 (unaudited)	**5,092**	**81,776**	**(70,895)**	**3,209**	**1,699**	**20,881**

	Share capital £'000s	Share premium £'000s	Accumulated Deficit £'000s	Warrant Reserve £'000s	Foreign currency reserves £'000s	Total equity £'000s
At 1 January 2015	4,153	67,145	(53,621)	369	1,388	19,434
Total Loss for the period	—	—	(18,287)	—	—	(18,287)
Other comprehensive income	—	—	—	—	(320)	(320)
Total comprehensive income/(loss)	—	—	(18,287)	—	(320)	(18,607)
Issue of share capital	886	15,342	—	—	—	16,228
Transaction costs	—	(1,211)	—	—	—	(1,211)
Share based payments	—	—	315	—	—	315
At 31 December 2015	5,039	81,276	(71,593)	369	1,068	16,159

	Share capital £'000s	Share premium £'000s	Accumulated Deficit £'000s	Warrant Reserve £'000s	Foreign currency reserves £'000s	Total equity £'000s
At 1 January 2015	4,153	67,145	(53,621)	369	1,388	19,434
Total Loss for the period	—	—	(3,894)	—	—	(3,894)
Other comprehensive income	—	—	—	—	(100)	(100)
Total comprehensive income/(loss)	—	—	(3,894)	—	(100)	(3,994)
Issue of share capital	675	12,034	—	—	—	12,709
Transaction costs	—	(921)	—	—	—	(921)
Share based payments	—	—	141	—	—	141
At 30 June 2015 (unaudited)	4,828	78,258	(57,374)	369	1,288	27,369

Condensed Interim Consolidated Cash Flow Statement

	Six months ended 30 June 2016 Unaudited £'000s	Six months ended 30 June 2015 Unaudited £'000s	Year ended 31 Dec 2015 Audited £'000s
Cash flow from operating activities			
Cash flow from operations	**(377)**	(1,593)	(3,487)
Interest received	**51**	12	52
Net cash flow from operating activities	**(326)**	(1,581)	(3,435)
Cash flow from investing activities			
Purchase of drilling inventories	**(327)**	—	—
Capital expenditure and disposals	**(470)**	(292)	(1,156)
Exploration and development expenditure	**(3,173)**	(3,156)	(6,545)
Net cash flow from investing activities	**(3,970)**	(3,448)	(7,701)
CSTI Funding contract	**(13)**	(115)	(117)
Net proceeds from debt	**5,292**	—	—
Repayment of borrowings	**(2,724)**	—	—
Net proceeds from equity issue	**553**	11,163	15,017
Interest payments	**(461)**	(382)	(1,051)
Net cash flow from financing activities	**2,647**	10,666	13,849
Net (decrease)/increase in cash and cash equivalents	**(1,649)**	5,637	2,713
Net foreign exchange difference	**875**	(756)	(81)
Cash and cash equivalents at the beginning of the period	**15,240**	12,608	12,608
Cash and cash equivalents at the end of the period	**14,466**	17,489	15,240

	Six months ended 30 June 2016 Unaudited £'000s	Six months ended 30 June 2015 Unaudited £'000s	Year ended 31 Dec 2015 Audited £'000s
Cash flow from operations reconciliation			
Profit/(loss) before tax	**410**	(3,894)	(18,287)
Finance revenue	**(2,717)**	(12)	(52)
Exploration expenditure written off and impairment of assets	**—**	—	12,185
Increase/(decrease) in accruals and short term payables	**7,104**	(329)	(97)
Depreciation	**181**	98	136
Share based payments charge	**288**	141	315
Finance costs and exchange differences	**376**	2,602	2,588
Increase in short term receivables	**(6,019)**	(199)	(275)
Cash flow from operations	**(377)**	(1,593)	(3,487)

Notes to the Condensed Interim Consolidated Financial Statements

1. Basis of preparation

The condensed interim consolidated financial statements do not represent statutory accounts within the meaning of section 435 of the Companies Act 2016. The financial information for the year ended 31 December 2015 is based on the statutory accounts for the year ended 31 December 2015. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed interim financial information is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2015 statutory accounts in accordance with IAS 34 Interim Financial Reporting.

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

2. Segment information

The Group categorises its operations into two business segments based on exploration and appraisal and development and production. The Group's exploration and appraisal activities are carried out in Morocco and Italy. The Group's reportable segments are based on internal reports about the components of the Group which are regularly reviewed by the Board of Directors, being the Chief Operating Decision Maker (''COMD''), for strategic decision making and resources allocation to the segment and to assess its performance. Sales during the period arose from producing licences in Italy. The segment results for the period ended 30 June 2016 are as follows:

Segment results for the period ended 30 June 2016

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Sales and other operating revenues	—	529	—	529
Other income	715	—	—	715
Operating costs	—	(801)	—	(801)
Exploration costs	—	—	(28)	(28)
Administration expenses	(2,346)	—	—	(2,346)
Operating loss segment result	**(1,631)**	**(272)**	**(28)**	**(1,931)**
Finance revenue	2,717	—	—	2,717
Finance costs and exchange gains	(376)	—	—	(376)
Profit/(loss) for the period before taxation	**710**	**(272)**	**(28)**	**410**

The segments assets and liabilities at 30 June 2016 are as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Capital expenditure	274	6,678	15,697	22,649
Other assets	22,802	62	6,192	29,056
Total liabilities	(11,546)	(1,938)	(17,340)	(30,824)

Notes to the Condensed Interim Consolidated Financial Statements continued

2. Segment information (continued)

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

	UK £'000s	Italy £'000s	Morocco £'000s
Development and production assets	—	6,678	—
Land and buildings	—	1,493	—
Fixtures, fittings and office equipment	38	170	66
Goodwill	—	2,160	—
Exploration and evaluation assets	—	7,809	4,122
Software	103	8	2
Total	141	18,318	4,190

Segment results for the period ended 30 June 2015

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Sales and other operating revenues	—	478	—	478
Operating costs	—	(291)	—	(291)
Exploration costs	—	—	(1)	(1)
Administration expenses	(1,490)	—	—	(1,490)
Operating loss segment result	(1,490)	187	(1)	(1,304)
Finance revenue	12	—	—	12
Finance costs and exchange losses	(2,602)	—	—	(2,602)
Loss for the period before taxation	(4,080)	187	(1)	(3,894)

The segments assets and liabilities at 30 June 2015 were as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Capital expenditure	67	12,336	15,153	27,556
Other assets	20,017	—	—	20,017
Total liabilities	(1,958)	(6,669)	(11,577)	(20,204)

2. Segment information (continued)

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

	UK £'000s	Italy £'000s
Development and production assets	—	12,336
Land and buildings	—	1,294
Fixtures, fittings and office equipment	42	25
Goodwill	—	1,959
Exploration and evaluation assets	—	11,813
Software	—	87
Total	42	27,514

Segment results for the year ended 31 December 2015

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Sales and other operating revenues	—	859	—	859
Operating costs	—	(538)	—	(538)
Exploration costs	—	—	(5,838)	(5,838)
Impairment of producing assets	—	(6,347)	—	(6,347)
Administration expenses	(3,181)	—	—	(3,181)
Operating loss segment result	(3,181)	(6,026)	(5,838)	(15,045)
Interest receivable	52	—	—	52
Finance costs and exchange losses	(3,294)	—	—	(3,294)
Loss for the period before taxation	(6,423)	(6,026)	(5,838)	(18,287)

The segments assets and liabilities at 31 December 2015 were as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Non-current assets	137	5,391	10,921	16,449
Current assets	17,845	—	—	17,845
Total liabilities	(7,743)	(1,498)	(8,894)	(18,135)

Notes to the Condensed Interim Consolidated Financial Statements continued

2. Segment information (continued)

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

	UK £'000s	Italy £'000s	Morocco £'000
Development and production assets	—	5,391	—
Land and buildings	—	1,327	—
Fixtures, fittings and office equipment	37	101	29
Goodwill	—	1,992	—
Exploration and evaluation assets	—	6,960	512
Software	100	—	—
Total	137	15,771	541

3. Profit/(loss) per share

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

	Profit/(loss) after tax from continuing operations			Weighted average shares in issue			Profit/(loss) per share (basic) from continuing operations		
	June 2016 £'000s	June 2015 £'000s	December 2015 £'000s	**June 2016 million**	June 2015 million	December 2015 million	**June 2016 pence**	June 2015 pence	December 2015 pence
Basic	**410**	(3,894)	(18,287)	**506**	430	467	**0.08**	(0.91)	(3.90)

	Profit/(loss) after tax from continuing operations			Weighted average shares in issue and dilutive potential ordinary shares			Profit/(loss) per share (diluted) from continuing operations		
	June 2016 £'000s	June 2015 £'000s	December 2015 £'000s	**June 2016 million**	June 2015 million	December 2015 million	**June 2016 pence**	June 2015 pence	December 2015 pence
Diluted	**410**	(3,894)	(18,287)	**538**	430	467	**0.08**	(0.91)	(3.90)

4. Intangibles

	Six months ended 30 June 2016 Unaudited £'000s	Six months ended 30 June 2015 Unaudited £'000s	Year ended 31 Dec 2015 Audited £'000s
Cost			
At start of period	**20,198**	13,948	13,948
Additions	**4,000**	5,497	6,560
Exchange adjustments	**657**	(454)	(310)
At end of period	**24,855**	18,991	20,198
Impairment and Depreciation			
At start of period	**10,634**	5,060	5,060
Charge for period	**17**	72	5,574
At end of period	**10,651**	5,132	10,634
Net book amount	**14,204**	13,859	9,564

On 8 August 2016, the Company announced a significant gas discovery at the Company's Tendrara licence, onshore Morocco. Capital expenditure will be incurred as additional wells are expected to be drilled before the end of 2016.

5. Loans and Borrowings

	Six months ended 30 June 2016 Unaudited £'000s	Six months ended 30 June 2015 Unaudited £'000s	Year ended 31 Dec 2015 Audited £'000s
Current liability			
Other loans	**7,704**	—	5,751
Non-current liability			
5-year secured bonds	**8,125**	—	—
Other loans	**1,027**	13,538	7,157
	9,152	13,538	7,157

On 21 June 2016, the Company announced that Greenberry S.A (''Greenberry'') had subscribed for 5- year non-amortising secured bonds with an aggregate value of the issue of EUR28.8 million (the ''bonds''). Alongside the bonds, the Company was to issue 70,312,500 warrants to subscribe for new ordinary shares in the Company at an exercise price of 30 pence per ordinary share and an exercise period of approximately five years, concurrent with the term of the bonds, to Greenberry (the ''warrants''). The bonds are secured over the share capital of Sound Energy Holdings Italy Limited. The bonds have a 5% coupon and were issued at a 32% discount to par value. A total cash fee of EUR1.1 million was payable by the Company.

Notes to the Condensed Interim Consolidated Financial Statements continued

5. Loans and Borrowings (continued)

The warrants were recorded within equity at their fair value and the remaining proceeds of the notes net of issue costs were recorded as non-current liability. As per the terms of the subscription agreement with Greenberry the bonds were to be issued in tranches. The liability reported as at 30 June 2016 is attributable to the tranches that had been issued to Greenberry as at that date. The final tranche of the bonds was issued subsequent to the period end.

Part of the proceeds of the bonds was used to settle an existing Reserve Based Lending facility of EUR7.0 million at a discount of 50% which, after allocation of attributable transaction costs, resulted in a credit being recognised in the income statement of £2.7 million during the period.

6. Shares in issue and share based payments

As at 30 June 2016, the Company had 509,211,611 ordinary shares in issue. In the period to 30 June 2016, a total of 5.3 million warrants at 10.4p were exercised.

On 24 March 2016, the Company announced that it had on 23 March 2016 issued a total of 9,050,000 options, of which 3,000,000 were awarded to an officer of the Company, to subscribe for new ordinary shares in the Company at a price of 16 pence per ordinary share. The options will vest on 23 March 2019 and will be exercisable thereafter at any time until 23 March 2021. The Options will vest subject to the pre-determined performance criteria that if the price per ordinary share in the Company increases over the three-year vesting period by 15%, 10%, or 5% on a compounded annualised basis then all, two-thirds, or one-third of the options respectively will vest.

7. Post Balance Sheet events

On 8 August 2016, the Company announced the issue of 70,312,500 warrants at an exercise price of 30 pence per share to Greenberry in line with a subscription agreement entered into on 21 June 2016 in which Greenberry subscribed for 5 year non-amortising bonds (Note 5).

On 8 August 2016, the Company announced the issue of 1,500,000 options to non-executive directors of the Company at an exercise price of 60 pence per share and the exercise of 1,780,000 options by an officer of the Company.

On 29 July 2016, the Company announced issue of 300,000 new ordinary shares following the exercise of 300,000 options to subscribe for new ordinary shares in the Company at a price of 16.5 pence per new ordinary share.

On 27 July 2016, the Company announced the signature of an agreement with Schlumberger group entities (''Schlumberger'') where by Schlumberger has agreed to fund EUR 7.5 million of services to be provided by Schlumberger on the Badile well. The agreement is subject to certain standard conditions precedent and signing of the relevant agreements. In exchange the Company has agreed to grant Schlumberger an option, exercisable at nil additional cost at any time during a six-month period following the completion of a well test and the declaration of a potential commercial discovery at the Badile licence, to acquire a 20% net profit interest in the Badile licence.

On 7 July 2016, the Company announced that it had received a non-binding expression of interest from Oil & Gas Investment Fund (''OGIF''), its partner on the Tendrara licence, expressing OGIF's interest in funding, building and operating a new pipeline connecting Tendrara to the Gazoduc Maghreb Europe (GME) pipeline.

Subsequent to the period end to 31 August 2016, a total of 16.6 million warrants at 10.4p and 8.1 million warrants at 24p were exercised.

Shareholder Information

Dealing Information

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Financial Calendar

Meetings

Annual General Meeting – May 2017

Announcements

2017 Interim – September 2017

2017 Preliminary – March 2017

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Shareholder Notes

"Significant gas discovery with the potential for a multi Tcf connected gas field, at Tendrara (onshore Morocco)."

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