

Corporate

Share Price 0.68p

Market Cap £14m

Shares in Issue 2,081m

12m Trading Range 0.6p – 1.3p

Free Float 78%

Next Event Operational update, Q3

Price performance (p)



Source: FactSet

Financial forecasts

Y/E Dec (£m)	2023A	2024A	2025E	2026E
Net Prod'n (mboe/d)	--	--	0.01	0.34
Gas Price (US\$/mcf)	--	--	8.1	8.1
Sales	--	--	0.2	4.7
EBITDA	(2.2)	(4.5)	(1.7)	1.6
Free Cash Flow	(5.1)	(9.1)	(10.4)	(15.1)
Net Cash/(Debt)	(30.3)	(29.8)	(41.3)	(58.0)
DPS (p)	--	--	--	--

Valuation (p/share)

Core NAV	2.4
Total Risked NAV	4.1
Total Unrisked NAV	11.2

Source: Audited accounts and Zeus estimates

Sound Energy is a broker client of Zeus

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Sound Energy

SOU LN- Oil & Gas Producers

Morocco helium, hydrogen, and solar update

- ◆ Sound has announced updates on expanding its Morocco portfolio beyond its focus Tendrara gas project, progressing activities in helium/hydrogen exploration and solar development. These could all help diversify the company's portfolio, provide news flow, and drive long term growth in complement to the company's main Tendrara activities.
- ◆ **Morocco helium and hydrogen studies progressed.** In late 2024 Sound announced a programme of joint studies with UK-listed peer Getech focused on prospectivity for helium and hydrogen across Morocco. These have combined Getech's technological expertise and Sound's Morocco operating experience. The studies have now concluded, with a number of focus areas identified, and Sound and Getech now intend to establish a formal JV and pursue securing of the relevant acreage in order to potentially bring forward operational work programmes.
- ◆ In our view, this currently represents a low-cost way for Sound to leverage its existing Morocco position and potentially diversify its portfolio, in terms of assets and commodity type. Going forward we could potentially see geophysical studies followed by exploration drilling, adding to company's operational news flow. As matters stand, there are no work commitments, making this a capital-light option for Sound.
- ◆ **Morocco solar now also being pursued.** Alongside the progress of its helium/hydrogen activities, Sound has also today announced a new partnership to pursue solar projects, also in Morocco. The company is working with Gaia Energy (an African renewables developer <https://gaiaenergyre.com/>) targeting development of up to 270MW of solar power across ten or more locations in Morocco. Initial work is comprised of studies assessing solar irradiation, land access, grid connection, and capacity, with a focus on taking advantage of the liberalised medium voltage grid in Morocco.
- ◆ As with Sound's helium/hydrogen activities, solar represents a further opportunity for the company to diversify its asset portfolio and drive long term growth, for very limited initial outgoings. We would also point out that there is value in originating renewable energy projects, assembling the various approvals and other requirements and taking these to the point of FID, which can then mean developers can sell the projects at that point, as opposed to continuing to participate through construction and operations. This could be a way of bringing forward returns for Sound as this part of its business progresses.
- ◆ Overall, we can see the benefits of Sound pursuing these different options to diversify its portfolio and pursue additional long-term growth, in what should initially be a very capital-light way for the company, particularly given its use of JV structures. Importantly, in our view, none of this detracts from Sound's main Tendrara asset and all the progress being made there post the farm out to Managem in 2024. We expect first LNG sales from Tendrara phase 1 during Q4 2025, progression of development studies and full debt funding for Tendrara phase 2 such that FID can be reached in late 2025, and drilling of the SBK-1 and M5 exploration wells near Tendrara potentially also during 2025: all of this will demonstrate material asset progress and provide news flow over the coming months.
- ◆ **Forecasts and valuation.** No change.
- ◆ **Conclusion:** Sound holds the Tendrara gas asset onshore Morocco, which contains 305bcf of gross sales gas, or 10.2mboe net to Sound's 20%. Phase 1 development is already underway, with first gas sales at 10mmcf/d gross (0.3mboe/d net) via a micro-LNG facility expected in Q4 2025. 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 Managem which, alongside project debt, is expected to see Phase 2 fully funded with Sound on 20%. Now that the farm out has closed we expect progression of FEED, going into Phase 2 FID in late 2025, and first gas sales from Phase 2 in late 2027/early 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 2025. In terms of upcoming catalysts, we expect progression of Phase 2 FEED work, completion of Phase 1 in Q4 2025, first gas sales from Phase 1 and also Phase 2 FID both in Q4 2025, and the two exploration wells – a busy overall programme. Our total risked NAV is 4.1p, and we have a positive outlook for the shares.

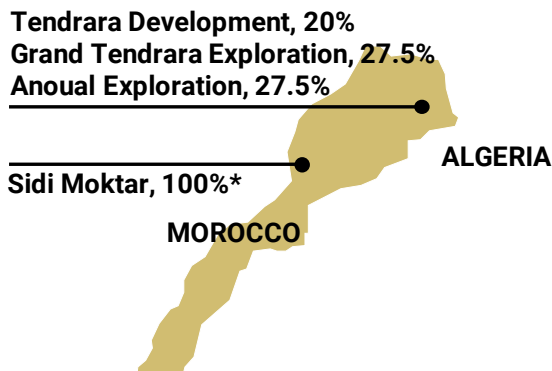
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Summary

Market Data

Share Price	0.68p
Market Capitalisation	£14m
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	--	--	0.2	4.7	4.7
Royalty	--	--	--	--	--
OPEX	--	--	(0.1)	(1.3)	(1.3)
DD&A	(0.2)	(0.1)	(0.1)	(1.6)	(1.6)
G&A	(2.2)	(4.5)	(1.7)	(1.8)	(1.8)
Op Profit	(2.4)	(4.6)	(1.7)	(0.0)	(0.1)
EBITDA	(2.2)	(4.5)	(1.7)	1.6	1.6
Net Interest	(2.0)	(2.3)	(2.3)	(2.8)	(4.0)
PBT (Adj)	(4.3)	(6.9)	(4.0)	(2.9)	(4.1)
Tax	(0.0)	--	--	--	--
PAT (Adj)	(4.3)	(6.9)	(4.0)	(2.9)	(4.1)
EPS (Adj)	(0.23p)	(0.34p)	(0.19p)	(0.14p)	(0.20p)

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)	(1.4)	1.9	1.8
Dev't CAPEX	(2.3)	(4.8)	(7.7)	(13.6)	(11.8)
Expl CAPEX	(0.7)	(0.7)	--	(2.1)	--
Acquisitions	--	9.2	--	--	--
Investing CF	(2.9)	3.8	(7.7)	(15.7)	(11.8)
Free CF	(5.1)	(9.1)	(10.4)	(15.1)	(12.9)
Net Borrowings	4.4	4.5	6.5	15.1	12.9
Interest Paid	(0.4)	(1.2)	(1.3)	(1.3)	(3.0)
Financing CF	3.8	3.2	5.2	13.8	10.0
Net Change in Cash	(0.6)	4.7	(3.9)	--	--
Net Cash/(Debt)	(30.3)	(29.8)	(41.3)	(58.0)	(72.0)

Summary Balance Sheet (£m)

Year to Dec	2023A	2024A	2025E	2026E	2027E
PPE & Intangibles	192.9	24.6	32.3	46.3	56.5
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	76.2	86.4
Payables	2.5	3.7	3.7	3.7	3.7
Debt	33.3	37.7	45.3	62.0	76.0
Total Liabilities	37.5	41.4	48.9	65.6	79.6
Equity	166.7	17.0	13.2	10.6	6.7
Liabilities + Equity	204.2	58.4	62.2	76.2	86.4

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	8.1
Net Oil Production (mbbl/d)	--	--	--	--	--
Net Gas Production (mmcf/d)	--	--	0.1	2.1	2.1
Total Net Production (mboe/d)	--	--	0.01	0.34	0.34
Unit OPEX (US\$/boe)	--	--	(27.9)	(13.6)	(13.6)
Unit OCF (US\$/boe)	--	--	(344.5)	19.4	19.1
Unit FCF (US\$/boe)	--	--	(2,601.1)	(156.9)	(134.0)

Summary NAV

	Interest (%)	Net Unrisked (mmboe)	Unrisked Value (US\$/boe)	Unrisked Value (p/share)	Risked Value (US\$m)	Risked Value (p/share)
Development						
Tendirara Phase 1	20%	1	10.0	0.4	12.5	0.4
Tendirara Phase 2	20%	9	12.6	3.8	94.8	3.2
Total Development		10		4.2	107	3.6

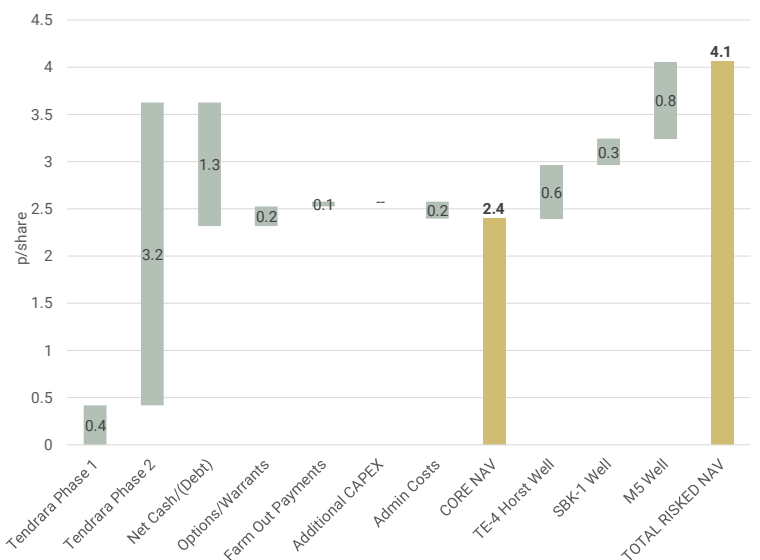
Net Cash/(Debt)				(38.8)	(1.3)
Options/Warrants/Converts				6.3	0.2
Farm Out Payments				1.5	0.1
Additional CAPEX				--	--
Admin Costs				(5.4)	(0.2)
CORE NAV				3.0	2.4

Exploration/Appraisal Upside

TE-4 Horst Well - Tendirara	27.5%	8	6.7	1.9	16.8	0.6
SBK-1 Well - Tendirara	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		38		8.2	49	1.7

TOTAL CORE + UPSIDE NAV				11.2	120	4.1
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NAV Distribution Chart



Source: Zeus, Company, Bloomberg, FactSet

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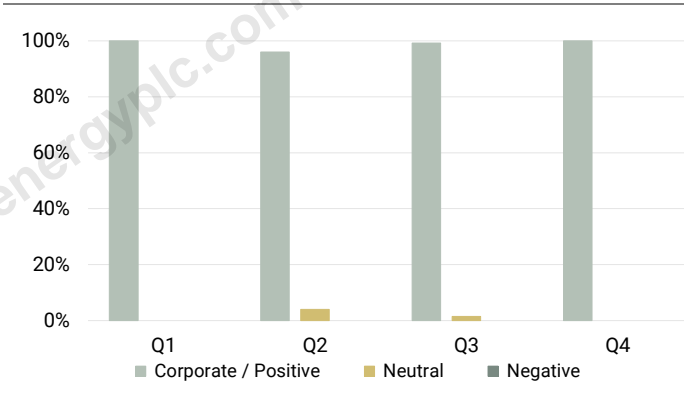
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