zeus

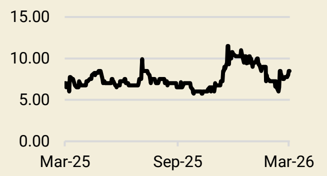
20 March 2026
For FCA purposes this is a Marketing Communication

Corporate

Share Price	8.5p
Market Cap	£18m
Shares in Issue	216m
12m Trading Range	5.2p – 13.0p
Free Float	86%
Next Event	Operational update, Q2

Priced at 16.30 on 19/03/2026

Price performance (p)



Source: FactSet

Financial forecasts

Y/E Dec (£m)	2023A	2024A	2025E	2026E
Net Prod'n (mboe/d)	--	--	--	0.13
Gas Price (US$/mcf)	--	--	--	8.1
Sales	--	--	--	1.8
EBITDA	(2.2)	(4.5)	(2.5)	(1.4)
Free Cash Flow	(5.1)	(9.1)	(11.2)	(17.6)
Net Cash/(Debt)	(30.3)	(29.8)	(42.1)	(60.2)
DPS (p)	--	--	--	--

Valuation (p/share)	
Core NAV	20.1
Total Risked NAV	36.0
Total Unrisked NAV	104.5

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

Operational update

Sound has announced that it has secured new debt funding and an equity raise totalling US$2.2m, reinforcing the company's balance sheet going into first gas from Tendrara Phase 1 in early Q3 2026, and accelerating progression of the company's Morocco solar JV.

- **Tendrara Phase 1 progressing towards first gas.** The Tendrara Phase 1 LNG tank has now been successfully tested, post earlier commissioning of the gas gathering system. We now await commissioning of the micro-LNG plant, which will then allow first gas sales from the project. This is now expected in early Q3 2026 (from Q2 previously) post a schedule update from the EPC contractor.
- First gas from Tendrara Phase 1 will be a very important moment for Sound, marking the start of revenues to contribute to company costs, while also helping demonstrate the development viability of the wider Tendrara asset, helping pave the way for the much larger Phase 2. While Phase 1 will develop 39bcf of gross sales gas, Phase 2 is targeting development of 265bcf, including a connection directly into Morocco's regional pipeline network. The Phase 2 infrastructure can then support development of any new discoveries in the area made by the JV, with two exploration/appraisal wells already planned (and carried for Sound by its JV partner). Phase 2 is hence where the most significant value lies in the Sound portfolio, with Phase 1 an important enabler for this. Going forward, alongside Phase 1 first gas sales, we look for progression of Phase 2 to FID during 2026.
- **Solar JV also being progressed.** The additional funding will also allow progression of Sound's Morocco solar JV with Gaia Energy. The JV, now christened Tayra Energy, is reviewing a short list of 12 different sites targeting development of a total of 270 MW of solar, tying this into Morocco's medium-voltage grid and taking advantage of recent government reforms to facilitate this. The JV already has five of the sites under option; we await further updates.
- **New funding from debt and equity.** Sound's new funding is in two parts. First is a EUR1.3m debt facility, from an international investment bank, which the company can draw down at its option. This carries interest of 20% per 120 days, and is repayable at the end of 2026. The company has also raised £0.5m of equity at 5.0p. This should all see the company through first gas sales at Tendrara and the revenues this will then begin to provide.
- Overall, we are pleased to see Sound secure this new funding, which contains optionality for the company as to how much is drawn down. Getting to first gas sales from Tendrara is the company's key aim, and this new funding facilitates that. We continue to believe there is a very significant prize for Sound in progressing Tendrara, through Phase 2 and beyond, and we are pleased to see this continue to make good progress.
- **Forecasts and valuation.** We have updated our forecasts for the equity raise and assuming drawings from the new debt facility in 2026. We have also shifted our Tendrara Phase 1 first gas assumption into Q3 2026. We currently leave our gas price assumptions unchanged, but Sound's gas prices are linked to TTF and Henry Hub, and there is hence upside to our assumptions if the current strong gas price environment persists long term. Our forecast changes are shown below.

Change to forecasts

Year To: December (£m)	2025E New	2025E Old	% *change*	2026E New	2026E Old	% *change*
Net Prod'n (mboe/d)	**--**	--	*n/a*	**0.13**	0.22	*-41%*
Gas Price (US$/mcf)	**--**	--	*n/a*	**8.1**	8.1	*0%*
Sales	**--**	--	*n/a*	**1.8**	3.0	*-40%*
EBITDA	**(2.5)**	(2.5)	*n/a*	**(1.4)**	(0.6)	*n/a*
Free Cash Flow	**(11.2)**	(11.2)	*n/a*	**(17.6)**	(16.2)	*n/a*
Net Cash/(Debt)	**(42.1)**	(42.1)	*n/a*	**(60.2)**	(59.9)	*n/a*
DPS (p)	**--**	--	*n/a*	**--**	--	*n/a*

Source: Zeus

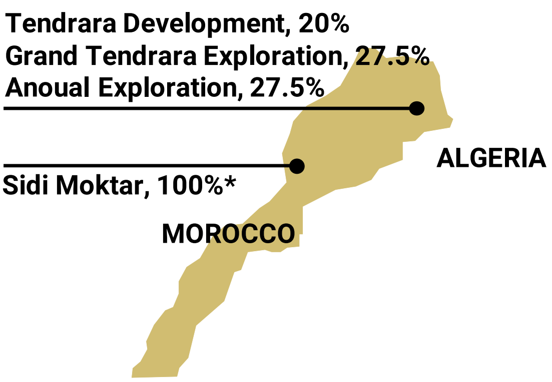
- Our valuation adjusts for our forecast updates, and also allowing for the recent 10/1 share consolidation and the shares from the equity raise. This sees our total risked NAV move from 38.8p (post consolidation) to 36.0p.
- **Conclusion.** Sound holds the Tendrara gas asset onshore Morocco, which contains 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 early Q3 2026, Phase 2 FID in 2026, and the two exploration wells – a busy overall programme. Our total risked NAV is 36.0p, and we have a positive outlook for the shares.

Summary

Market Data

Share Price	8.5p
Market Capitalisation	£18m
Shares Out	216m
Net Cash/(Debt) end 2024	(£30m)

Morocco Asset Locations



Summary Income Statement (£m)

Year to Dec	2023A	2024A	2025E	2026E	2027E
Sales	**--**	**--**	**--**	**1.8**	**4.7**
Royalty	--	--	--	--	--
OPEX	--	--	--	(0.7)	(1.3)
DD&A	(0.2)	(0.1)	--	(0.6)	(1.6)
G&A	(2.2)	(4.5)	(2.5)	(2.5)	(2.6)
Op Profit	**(2.4)**	**(4.6)**	**(2.5)**	**(2.0)**	**(0.9)**
EBITDA	**(2.2)**	**(4.5)**	**(2.5)**	**(1.4)**	**0.8**
Net Interest	(2.0)	(2.3)	(2.3)	(3.2)	(4.2)
PBT (Adj)	**(4.3)**	**(6.9)**	**(4.8)**	**(5.3)**	**(5.1)**
Tax	(0.0)	--	--	--	--
PAT (Adj)	**(4.3)**	**(6.9)**	**(4.8)**	**(5.3)**	**(5.1)**
EPS (Adj)	(0.23p)	(0.34p)	(2.24p)	(2.43p)	(2.34p)

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)**	**(1.1)**	**1.1**
Dev't CAPEX	(2.3)	(4.8)	(7.7)	(12.2)	(9.9)
Expl CAPEX	(0.7)	(0.7)	--	(2.1)	--
Acquisitions	--	9.2	--	--	--
Investing CF	**(2.9)**	**3.8**	**(7.7)**	**(14.3)**	**(9.9)**
Free CF	**(5.1)**	**(9.1)**	**(11.2)**	**(17.6)**	**(12.0)**
Net Borrowings	4.4	4.5	7.3	17.1	12.0
Interest Paid	(0.4)	(1.2)	(1.3)	(2.2)	(3.1)
Financing CF	**3.8**	**3.2**	**6.0**	**15.4**	**8.9**
Net Change in Cash	(0.6)	4.7	(3.9)	--	--
Net Cash/(Debt)	**(30.3)**	**(29.8)**	**(42.1)**	**(60.2)**	**(73.4)**

Summary Balance Sheet (£m)

Year to Dec	2023A	2024A	2025E	2026E	2027E
PPE & Intangibles	192.9	24.6	32.3	45.9	54.2
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**	**75.8**	**84.1**
Payables	2.5	3.7	3.7	3.7	3.7
Debt	33.3	37.7	46.1	64.2	77.4
Total Liabilities	**37.5**	**41.4**	**49.8**	**67.9**	**81.0**
Equity	166.7	17.0	12.4	7.9	3.1
Liabilities + Equity	**204.2**	**58.4**	**62.2**	**75.8**	**84.1**

Valuation and Production Data

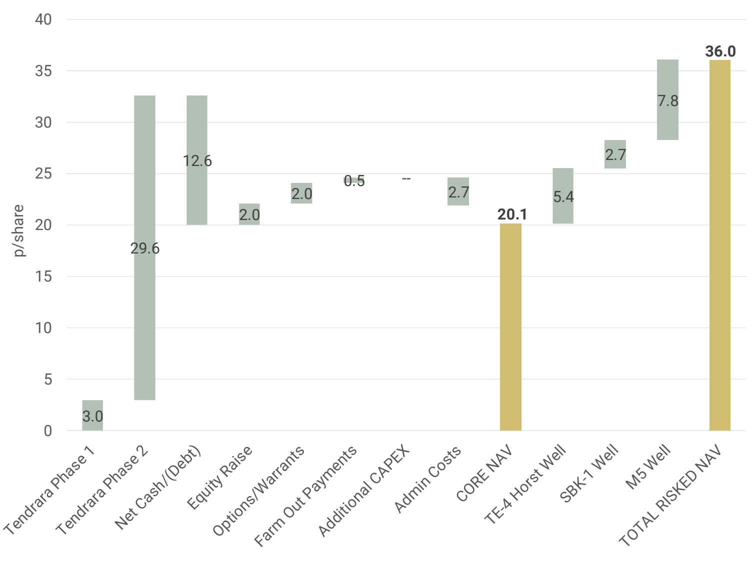
Discount Rate	10.0%
LT US$/£	US$1.30
Diluted NOSH (m)	237m

Year to Dec	2023A	2024A	2025E	2026E	2027E
Brent Oil Price (US$/bbl)	82.1	79.9	69.1	70.0	65.0
Sound Gas Price (US$/mcf)	--	--	--	8.1	8.1
Net Oil Production (mbbl/d)	--	--	--	--	--
Net Gas Production (mmcf/d)	--	--	--	0.8	2.1
Total Net Production (mboe/d)	**--**	**--**	**--**	**0.13**	**0.34**
Unit OPEX (US$/boe)	--	--	--	(17.7)	(13.6)
Unit OCF (US$/boe)	--	--	--	(30.9)	10.9
Unit FCF (US$/boe)	--	--	--	(475.9)	(124.6)

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	7.4	3.2	9.3	3.0
Tendrara Phase 2	20%	9	12.2	34.8	91.4	29.6
Total Development		**10**		**38.0**	**101**	**32.6**
Net Cash/(Debt)					(38.8)	(12.6)
Options/Warrants/Converts					6.3	2.0
Equity Raise					0.7	0.2
Farm Out Payments					1.5	0.5
Additional CAPEX					--	--
Admin Costs					(8.2)	(2.7)
CORE NAV				**25.5**	**62**	**20.1**
Exploration/Appraisal Upside						
TE-4 Horst Well - Tendrara	27.5%	8	6.7	18.1	16.8	5.4
SBK-1 Well - Tendrara	27.5%	4	6.7	9.1	8.4	2.7
M5 Well - Anoual	27.5%	26	6.2	51.8	24.0	7.8
Total Exploration/Appraisal		**38**		**79.0**	**49**	**15.9**
TOTAL CORE + UPSIDE NAV				**104.5**	**111**	**36.0**

NAV Distribution Chart



Source: Zeus, Company, Bloomberg, FactSet

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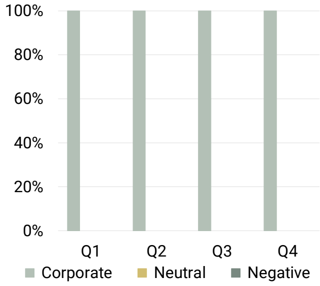

Recommendation distribution at 31 December 2025 Source: Zeus

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