SOUND ENERGY PLC

Exploration & Production

Annual Report & Accounts
for the year ended 31 December 2015

stock code: SOU

BUILDING A REGIONAL OIL AND GAS BUSINESS IN THE EYE OF THE STORM

About us

Sound Energy plc is a well-funded Mediterranean upstream company, listed on AIM (LSE:SOU), with production, a cornerstone investor and a strategic partnership with Schlumberger, one of the largest companies in the sector. 2016 promises to be a potentially transformational year for the Company, with three strategic plays spanning onshore appraisal and exploration drilling in both Morocco and Italy.

Welcome to our 2015 Annual Report: The story so far and the journey ahead

Our Investment Proposition

A bold growth agenda with strong thematic positioning

→ Strong European and North African gas price fundamentals underpinning our business

→ Producing and exploring for clean gas in an increasingly carbon conscious world

→ An ambitious and talented team driving Sound's growth agenda

Read the Sector Overview on page **09** for more detail

Creating value through the drill bit

→ Multiple near-term strategic plays with the potential to transform the resource base of the Company: Tendrara, Sidi Moktar and Badile

Read 2015/16 at a Glance on pages **02** to **05** for more detail

A balanced and evolving portfolio

→ Assets across the life cycle

→ Pursuing selective, accretive M&A opportunities to complement our portfolio and diversify our risk

→ Focused on world class assets

Read about our Strategy on pages **10** to **11** for more detail

Outstanding people and partnerships

→ A team with skills on board to originate and execute transformational transactions

→ Supportive cornerstone investor

→ Strategic partnership with one of the largest companies in our sector to technically de-risk and fund our drilling

Read more about our Key Partners on pages **12** and **13**

See details on The Team on pages **24** and **25**

Strong funding position

→ Maintaining a strong balance sheet in a turbulent sector environment

→ Able to leverage off partner's balance sheets

→ A low cost and high quality operator

See the Operational and Financial Review on page **14** to **19**

Change of Name

On 1 October 2015, Sound Oil plc became Sound Energy plc, thereby aligning the Company's branding with its strategy and portfolio.

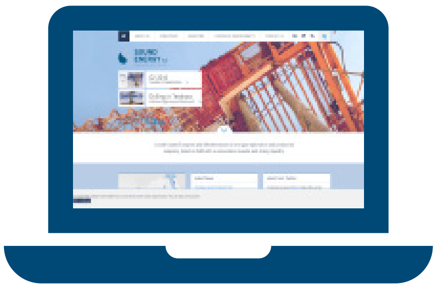
Navigation key

Read more content within the report

View more content online

Corporate Website

Visit: **www.soundenergyplc.com** for the latest news, reports, presentations and video.

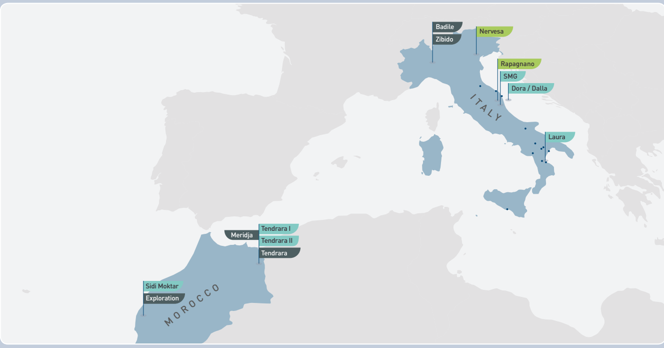


@soundenergyplc
#deliveringdreamsinthedesert

Sound Energy plc

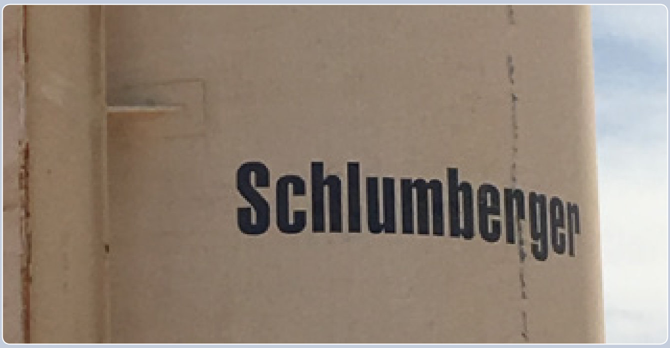
Positioned for success with . . .

the right portfolio



Read 2015/16 at a Glance on pages **02** to **05** and our Operational and Financial Review on pages **14** to **19**

the right partners



Read about our Key Partners on pages **12** and **13**

the right people

See details on The Team on pages **24** and **25**

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2015/16 at a Glance

We operate a well balanced portfolio of 22 onshore gas licences and permits across both Italy and Morocco. The portfolio contains a healthy blend of exploration and production potential.

Morocco

- Currently drilling the first well at Tendrara, following the acquisition of the interest in the Tendrara licence (as our first asset in our Moroccan portfolio)
- Entry into the Tendrara Field Management Agreement with Schlumberger – our first project in this strategic partnership
- Broadening of the Moroccan portfolio with the acquisition of Sidi Moktar bringing scale and diversification to our Moroccan portfolio
- Option to acquire Meridja Area, neighbouring Tendrara

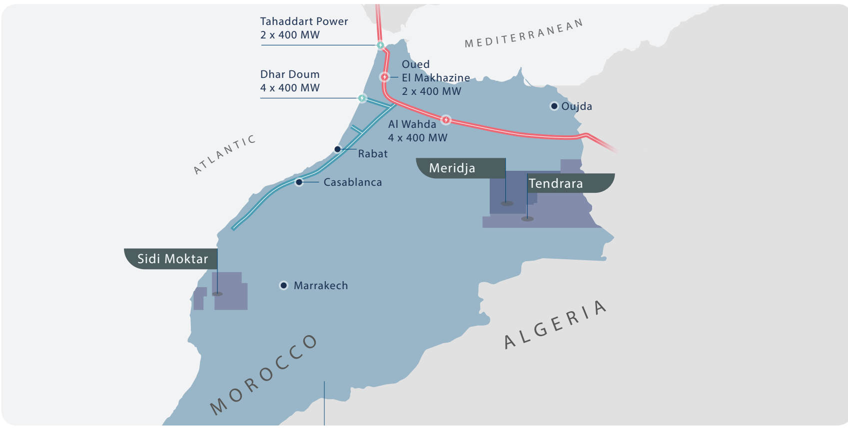
Italy

- Receipt of the final Badile drilling permission from the Italian Ministry of Economic Development (UNMIG)
- Continued production from our onshore gas fields, partially covering our cost base
- Memorandum of Understanding ("MOU") signed for the rig for the forthcoming Badile exploration well

The introduction of a cornerstone investor (Continental Investment Partners S.A.) and a strategic partner (Schlumberger, a multibillion company specialist in oil and gas) now positions us with a funded 2016 drill programme and an accelerated journey to a mid cap status without material equity dilution.

Focus on . . . Morocco: Strategic Plays

- Permit
- Power station project
- Online power station
- Gas Maghreb–Europe Pipeline
- Gas pipeline project
- Meridja



Strategic Play

See our Strategy on page **10** and **11** for more detail

Tendrara	
Area:	14,500 km²
Status:	Permit
Effective date:	23 April 2013
Term:	8 years
Resource potential:	Prospective resource with multiple Tcf potential (gross)
Interest:	Sound Energy Phase I 37.5%, increasing to 55% Phase II Net effective interest of 27.5% following Field Management Agreement with Schlumberger

Read more about Tendrara on page **14**

Sidi Moktar	
Area:	4,500 km²
Status:	Permit
Effective date:	1 July 2009
Term:	8 years
Resource potential:	Prospective resource
Interest:	25%

Read more about Sidi Moktar on page **16**

Meridja	
Area:	9,000 km²
Status:	Reconnaissance area with prospective resource analogous to Tendrara

Read more about Meridja on page **15**

2015/16 at a Glance

Focus on . . . Italy: Strategic Plays

Assets

- Production
- Low risk discoveries
- High upside exploration

Strategic Play

See our Strategy on page **10** and **11** for more detail

A full list of the Group's Licences and Interests can be found on page **61**

Badile	
Area:	154.5 km²
Status:	Exploration asset
Effective date:	23 March 2010
Term:	6 years*
Resource potential:	178 Bscf
Interest:	100%

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

See more about Badile on page **17**

Laura	
Area:	63.1 km²
Status:	Appraisal of existing discoveries
Resource potential:	Up to 25.6 Bscf (Best estimate 17.1 Bscf)
Interest:	100%

Pictured: Rapagnano field

Pictured: Sound Energy's first well site in Morocco

Statement from the Chairman and Chief Executive Officer

Simon Davies
Chairman

James Parsons
CEO

Sound Energy is a European/Mediterranean focused upstream gas company, listed on AIM, with a strategic partnership with Schlumberger (one of the largest companies in our sector), a cornerstone investor and an active and potentially transformational drill programme.

Sound Energy's portfolio includes a blend of high upside exploration assets, low risk appraisal/development assets and production, which is diversified across Italy and Morocco.

2015 was a turbulent year for the energy sector, with continued low oil prices and increasing global carbon consciousness.

In response to the challenging environment faced by the industry at large, Sound Energy has been steadfastly pursuing an onshore regional gas strategy, underpinned by solid European gas fundamentals and a trend of global transition to gas, as a cleaner alternative to coal and oil.

Whilst acknowledging the recent disappointments of the Nervesa discovery, the Company with its high quality partnerships, strong cash position and strong management team is positioned well for continued counter-cyclical growth whilst sector valuations are low and competition is limited.

The key highlights of 2015 include:

- The acquisition of an operated 55% position in the Tendrara licence, onshore Morocco. Morocco is a stable, growing, gas-hungry country with strong gas prices and competitive fiscal terms. Tendrara benefits from a compelling risk/reward balance with both a large scale gas discovery and multiple Tcf exploration potential.
- Introduction of Schlumberger as a strategic partner for existing and new assets across Europe and Africa.
- Entry of a Field Management Agreement with Schlumberger in respect of the Tendrara licence with a view to de-risking the asset technically and funding the majority of the first three wells.
- Securing of the approval of the Environmental Impact Assessment for the significant Badile prospect, onshore Italy, which enabled the Company to secure the final permission to drill in May 2016.

> **"Sound Energy's high quality partnerships, strong cash position and strong management team position the Company well for continued counter-cyclical growth."**

Following the period end, Sound Energy entered into binding agreements to acquire a 75% operated position in the Sidi Moktar licences, onshore Morocco, where the Kechoula discovery represents an opportunity for material near term production. The wider Sidi Moktar licence area also provides significant exploration potential. As announced by the Company on 10 March 2016, the Company has entered into heads of terms in respect of a farmout of the Sidi Moktar licences which, if completed, would provide a carry on all future capital whilst only reducing the Company's position to a 25% operated interest. As a result of this progress, Sound Energy's current immediate focus is now on three strategic plays across Morocco and Italy:

- Tendrara, onshore Morocco
- Sidi Moktar, onshore Morocco
- Badile, onshore Italy

The outcome of the first well on the Company's strategic Tendrara play, which is currently drilling, is expected to be known shortly.

The Company is in a strong financial position as it enters 2016 and a period of high activity, with a cash balance of £15.2 million at 31 December 2015. We continue to operate with a low cost but high quality philosophy, keeping costs under control and leveraging partners' balance sheets.

The significant progress achieved by Sound Energy during 2015 would not have been possible without the efforts of Sound Energy's executive team and supportive shareholders. We would like to take this opportunity to thank all of them as we continue to develop into a large-scale regional upstream company.

> **"Despite the challenging sector backdrop, Sound Energy is positioned in a sweetspot – analogous to being in the peaceful eye of a violent storm – with an opportunity to grow boldly whilst valuations are low and competition is limited."**

Pictured: CEO visit to TE-6

The Journey

The Transformation continues

2016

January – further Sidi Moktar acquisition

February – first gas from Nervesa

February – secured option to acquire Meridja reconnaissance area

March – introduction of partner to Sidi Moktar

April – receipt of $1 million of Indonesian Contingent Consideration

April – spudding of TE-6, the first well at Tendrara and in Morocco

2015

April – secured further funding from the institutional cornerstone investor

May – Morocco country entry through the onshore gas licences at Tendrara

June – Memorandum of Understanding ("MOU") with strategic partner

October – acquisition of Sidi Moktar licences consolidating our position in Morocco

December – introduction of Schlumberger to Tendrara

The Formative years

2014

April – introduction of a new Institutional Investor, Continental

July – first gas on the Casa Tiberi field, located in the Marche Region of Italy

September – purchase of the land required for the world-class Badile exploration prospect

2013

Achieved first gas from the onshore Rapagnano field in central Italy, delivering free cash flow of *c.*€900,000 per annum

Drilled and tested the Nervesa gas discovery in the Po Valley (Northern Italy)

2012

Strategic decision to focus on Mediterranean gas, leveraging off a strong onshore portfolio in Italy

Disposal of participating interest in Indonesian assets

Sector Overview

The Energy Sector in Transition

In 2015, the energy sector underwent a structural transition. With falling oil prices and general uncertainty surrounding the supply and demand balance, many upstream companies, including household names, have been brought to their knees on the back of an unsustainable debt burden and the inability to fund capital commitments. The market is littered with strategic reviews, forced asset sales, debt re-determinations, requisitions from activist shareholders and companies defaulting on licence commitments. The AIM oil and gas index has dropped dramatically over the last year and the general consensus is that the inevitable recovery is still some time away.

In this new order, Sound Energy believes the market rewards companies with quality assets, cash in the bank, sustainable debt, and strong, growth-focused management. 2015 was transformational for Sound Energy, with key achievements in the Italian and Moroccan portfolios including:

– entry into Morocco on the Tendrara licence

– partnership with Schlumberger

– the acquisition of the Sidi Moktar licence.

Sound Energy has made great strides securing quality assets from distressed players. Sound Energy continues to grow counter-cyclically, in the peaceful eye of an industry-wide storm. The Company's portfolio remains focused onshore in the Mediterranean region with acreage across Italy and Morocco, sheltered from low oil prices and underpinned by strong gas fundamentals.

Morocco

Over 90% of Morocco's energy supply is imported. Demand grows at a steady rate to meet the needs of economic development, industrialisation, and the growing power grid. Gas is an important commodity in the country: the government encourages production from domestic resources, with gas-fired plants playing an important role in power supply and the phosphate industry. Morocco holds more than two-thirds of the world's phosphate reserves and needs natural gas in the in the extraction and fertilizer production processes. In the medium to long term, Morocco expects to increase the share of natural gas in the energy mix. Morocco is also pushing for an increase in the utilisation of renewable sources for electricity generation which calls for gas-generated electricity to meet intermittent supply from solar and wind power. The decision in favour of the large-scale use of natural gas in the energy mix, and particularly in electricity generation, is essentially based on the need to introduce independence in the energy supply and additional flexibility into the Moroccan power system.

Morocco provides one of the most attractive fiscal regimes, blend of hydrocarbon potential (both low-risk and rank exploration) and strong gas-market fundamentals. The stable economic and political environment makes it an ideal country in which Sound Energy can operate and unlock value organically.

Italy

Italy's production of both oil and natural gas has been progressively declining over the last decade. In 2015, domestic gas production met only 10% of its domestic demand, whilst Italy sits amongst Europe's largest energy consumers and importers.

The fuel supply mix remains dominated by hydrocarbons, with demand for natural gas growing rapidly over the last decades, notably as part of a national programme to mitigate the country's dependence on oil imports. Gas demand is concentrated in three main sectors: residential, power generation and industrial, experiencing a steady growth at a rate of 9% approximately each year. This growth is almost entirely attributable to the increase in demand for power generation, which accounts for almost a third of the total gas demand in Italy.

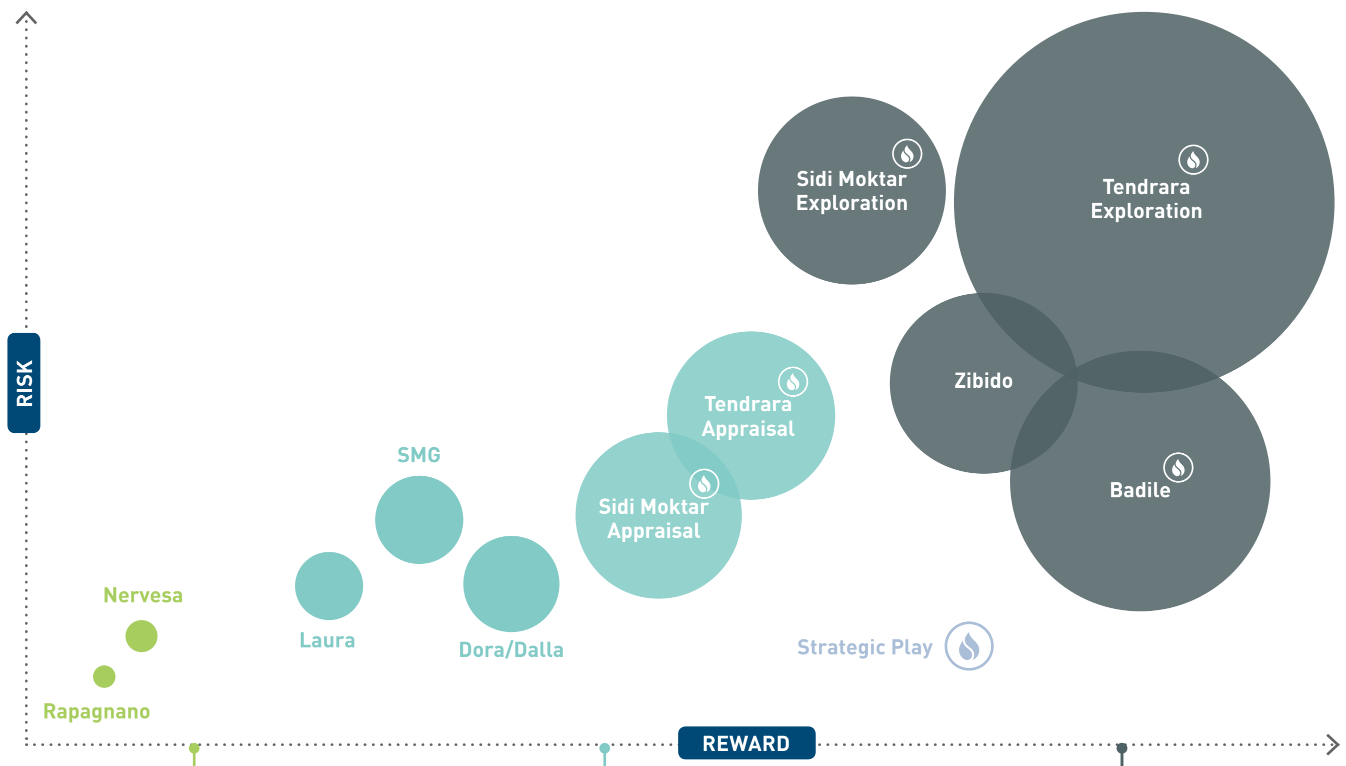
On the supply side, Italy is highly dependent on natural gas imports, standing at *c.*90% in 2015 with no decrease expected. With a developed network of infrastructure and pipelines across the country, Italy therefore offers strong gas-market fundamentals which make it a continuous area of interest for Sound Energy with a diverse range of asset classes including production, appraisal and high-impact exploration.

Pictured: Sound Energy drills for gas

> **"Morocco provides one of the most attractive fiscal regimes for oil and gas companies worldwide."**

Strategy

We are pursuing an onshore gas strategy, within the Mediterranean area, which is proving very robust to the current oil price environment, security situation and to an increasingly carbon conscious world. The markets are rewarding companies with sustainable debt levels, strong management, cash on the balance sheet and a bias for gas.



Cost Covering Production

Sound Energy maintains a low cost base with revenues from the Italian asset production contributing to costs. We are working to build a balanced portfolio with assets across the life cycle, generating free cash flow.

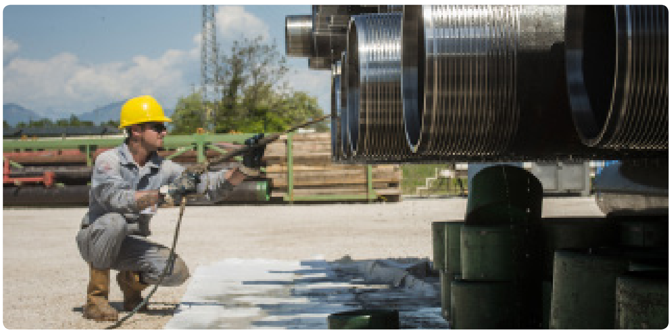
Low Risk Existing Discoveries

By focusing on previously drilled discoveries in areas where hydrocarbons have been identified, Sound Energy is able to minimise risk. We are leveraging the technical knowledge of our partners to increase our chances of success.

High Upside Exploration

Three upcoming strategic plays spanning onshore appraisal and exploration drilling in Morocco and Italy will potentially transform the reserve base of the Company: Tendrara, Sidi Moktar and Badile. Sound Energy is focused on world class assets and opportunities.

Sound Energy's strategy strikes a balance betweeen risk and reward, and between high upside exploration, low risk appraisal/development assets and production with the target of covering our cost base, while pursuing transformational opportunities and generating significant returns for the Company and its shareholders. During 2015, the addition of the Moroccan portfolio (Tendrara and Sidi Moktar) has increased Sound's exposure to high upside exploration potential and increased the level of potential reward within the portfolio. The exisiting discoveries of hydrocarbons in the licence area we have acquired, together with a strong technical partner, reduce risk, helping us maintain the balance within our portfolio.



Overview

Despite the challenging sector backdrop, Sound Energy is positioned in a sweetspot – analogous to being in the peaceful eye of a violent storm – with an opportunity to grow boldly and counter-cyclically whilst valuations are low and competition is limited.

Our current portfolio includes a well balanced portfolio of onshore gas licences across both Italy and Morocco. This portfolio is a healthy blend of high upside exploration, low risk appraisal/development assets and some solid, cost covering, production.

The Journey To Date

Our journey began back in 2011/12 with the acquisition of our onshore Italian gas portfolio. Since then we have drilled the Nervesa gas discovery and secured first gas at both Nervesa and the onshore Rapagnano gas field. These two assets provided a solid base of cost covering production for the period under review. During 2015/16 we broadened the portfolio with the acquisition of an onshore gas portfolio in Morocco, including the Tendrara and Sidi Moktar licences. These licences bring scale and diversification with Tendrara forming the backbone of our 2016 drill programme.

The introduction of a cornerstone investor (Continental Investment Partners) and a strategic partner (Schlumberger, a multibillion company specialist in oil and gas) now positions us with a funded 2016 drill programme and an accelerated journey to a mid cap status without material equity dilution.

Our Future Focus

In 2016 we expect results from three strategic plays, each one of which could be transformational to the Company: Tendrara, Sidi Moktar and Badile.

We are focusing both our financial and human resources on our game-changing assets, including Tendrara where two wells are planned for 2016 and our largest gas prospect, Badile with a gross best estimate NPV10 of €486 million. It is our intention to farm out and then drill Badile in 2016 with a view to capturing the upside NPV, which exceeds US$2 billion. Sidi Moktar offers the possibility of near term cash flows from the production of two existing wells on the Kechoula structure. Kechoula is close to existing infrastructure and has been estimated to have an unrisked mid case GOIP of 293 Bscf on a 100% working interest basis.

The final step in the journey involves continued expansion into the greater Mediterranean area, likely to be onshore or in shallow water and probably achieved through acquisition. This will be combined with consolidation within Italy and Morocco where possible. We have the skills onboard to originate and execute transformational transactions.

In summary Sound Energy is a focused team dedicated to delivering "shaping moves" and working to build a mid cap regional oil and gas company.

How We Measure Progress

The Company's strategy to date has been to develop low risk, previously drilled assets in order to minimise risk whilst accelerating revenue generation in order to cover its cost base. 2016 represents a step out from our comfort zone as we move towards realising the potential of our game-changing assets, with the first adventure being the drilling of TE-6 on the Tendrara structure. This well was spudded on 20 April 2016 and drill bit success will be mirrored in the increase to the net asset value of the Company. We will see our progress by our discoveries, alongside our ability to identify and exploit accretive M&A opportunities. Like our investors, we will measure our success in stewarding the business by its share price.

Key Performance Indicators

Management is held accountable to a variety of KPIs through the development of an individualised scorecard, comprising both company-wide and personal objectives. Remuneration is directly linked to meeting these targets and, as recently announced, share price growth is a key performance criterion of the Company's long term incentive plan.

The health and safety of our employees and contractors is our primary concern. We are, again, proud to confirm that, in 2015, we had no lost time incidents.

Pictured: Casing cleaning and TE-6 rig site

Key Partners

> "Our partners and our people play a vital role in creating value for our shareholders."

Continental Investment Partners

Continental Investment Partners S.A. ("Continental") were introduced to Sound Energy in 2014 when they invested £14 million in the Company through a mixture of debt (£7 million) and equity (£7 million).

They have continued to support Sound Energy throughout 2015 and, during April 2015, brought a further £12 million investment into the Company, when they subscribed for a total of 63 million shares, through an affiliate, Metano Capital S.A. These shares were subsequently placed with various pre-identified institutional investors. Continental have played a key role in enabling the Company's drill programme and expansion and are a critical cornerstone of the Company. As at 9 May 2016, Continental had an interest in 12.98% of Sound Energy's share capital.

Schlumberger

In October 2015, Sound Energy announced that it had signed a Memorandum of Understanding ("MOU") with Schlumberger Oilfield Holdings Limited ("Schlumberger") defining a strategic relationship between Sound Energy and Schlumberger across Europe and Africa. Associated with this, a Term Sheet was signed with Schlumberger Production Management ("SPM"), the production management arm of Schlumberger, regarding the Tendrara licence, onshore Morocco.

The Company subsequently entered into a Field Management Agreement ("FMA") with SPM in December 2015 where, under the FMA:

- Schlumberger provide integrated technical services, equipment and personnel to Sound Energy, Operator of the Tendrara Licence;
- Schlumberger will fund a significant proportion of the capital expenditure on the first three Tendrara appraisal wells (80-75%), and of the development of the licence area thereafter (27.5%); and
- Schlumberger have been granted a synthetic net profit interest of half of the Company's interest (which equates to 18.75% initially increasing to 27.5% after the first well).

Schlumberger is the world's leading provider of technology for reservoir characterisation, drilling, production, and processing to the oil and gas industry. It supplies the industry's most comprehensive range of products and services, from exploration through production and integrated pore-to-pipeline solutions for hydrocarbon recovery that optimise reservoir performance, working in more than 85 countries and employing approximately 113,000 people who represent over 140 nationalities.

The strategic partnership between Sound and Schlumberger allows the Company to benefit from Sclumberger's wealth of experience and vast resource within the sector, in addition to sharing of the risks of the Tendrara project, with Schlumberger earning its net profit interest through funding a significant portion of the initial capital expenditure.

Other Joint Venture Partners

Our ability to build and maintain relationships is a key part of our success, enabling us to identify accretive M&A opportunities, share the risks and rewards of oil and gas exploration and production with our partners and, in return, increase our knowledge and fund our work programmes. We have high quality relationships with our partners in our assets.

Our hosts

The way in which we conduct ourselves with our host communities and governments, and our record on health, safety and the environment, is the bedrock for all our operations and is crucial to our success as a business. In close partnership with our host government we work to grow and strengthen our social and economic relationship within the countries and regions we operate in, through the community support we provide, employment opportunities we offer and the willingness of our local communities to work with us to create wealth.

Our partners and our people play a vital role in creating value for our shareholders.

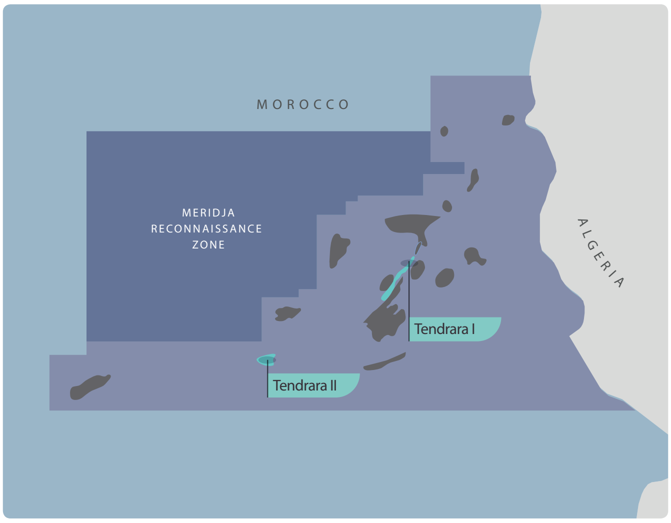
See the Sector Overview on page **9**

Read about our Strategy on page **10** and **11**

Pictured: TE-6

Operational and Financial Review

Strategic Play - Tendrara



Licence Details	
Area:	14,500 km^2
Status:	Permit
Effective date:	23 April 2013
Term:	8 years
Resource potential:	Prospective resource with multiple Tcf potential (gross)
Interest:	Sound Energy Phase I 37.5%, increasing to 55% Phase II Net effective interest of 27.5% following Field Management Agreement with Schlumberger

Permit Area

The Tendrara permit is located in the Figuig Province, North-East Morocco, 120 km from the GME pipeline, connecting Algeria and Morocco to the Spanish/Portuguese gas grids. The permit area, which is sub-divided into eight blocks, covers a combined area of 14,500 km^2.

Geology

The Tendrara structure represents a continuity of the Algerian Triassic Province and Saharan Hercynian platform with the same basin shows as the tectono-sedimentary evolution in the Algeria Basins.

Activity History

AGIP first explored the Tendrara structure in 1966/67 drilling two wells, both proved gas bearing but were not fully tested. In 1983 the Moroccan National Oil Company (NOC), ONHYM (Office National de HydroCarbures et des Mines) further appraised the structure drilling a third gas bearing well. In 2000, MPE drilled SBK-1 in the adjacent Sidi Belkacem structure to further assess the Trias Argilo-Gréseux Inférieur ("TAGI") reservoir, which proved to be gas bearing and tested successfully.

In total seven wells have been drilled in the permit, five have been gas bearing and two have tested successfully. Of the two successful test wells SBK-1 had a peak rate of 5.5 MMscf/d and TE-5 had flow rates of 1.5 MMscf/d.

Sound Energy farmed in to the Tendrara licence in June 2015, taking a 55% working interest in the licence, partnering ONHYM (25% interest) and Oil & Gas Investment Fund ("OGIF") (20% interest) and assuming the Operatorship. Sound's 55% working interest will be secured in two tranches, with tranche one (37.5%) awarded on completion of the transaction and the second tranche (17.5%) secured once Sound Energy commits to the second exploration phase (which would include a second well). Under the terms of the farm-in to the licence Sound will pay 100% of the cost of three wells, of which only the first well would be a firm commitment.

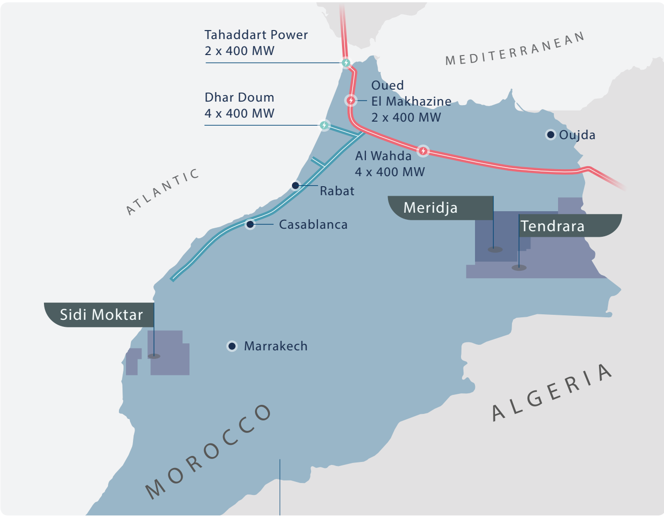
In December 2015, Sound entered into a Field Management Agreement (FMA) with Schlumberger. Under the terms of the FMA Schlumberger agreed to fund a significant portion of the capital expenditure on the first three Tendrara wells and provide technical services, equipment and personnel to Sound as Operator in exchange for an upside linked to production performance.

The first well is to appraise the larger of two existing discoveries in the Tendrara licence with a view to addressing the residual reservoir uncertainties (well deliverability and areal continuity) and proving up sufficient reserves to properly size the design of the infrastructure required to commercialise the gas.

The licence already has 4,400 km of 2D seismic and 500 km^2 of 3D seismic.

Preliminary internal estimates of existing discovery volumes suggest significant volumes in place with potential recoverable resources of multiple Tcf across multiple prospects/leads.

Meridja



Licence Details

Area:	9,000 km^2
Status:	Reconnaissance
Effective date:	TBC
Term:	Reconnaissance permit expires 1 Aug 2016
Resource potential:	Prospective resource analogous and adjacent to Tendrara
Interest:	Option to acquire a 55% interest in the exploration permit

Permit Area

Sound has secured an option to acquire a 55% interest in the Meridja permit, located next to its Tendrara licence.

The Meridja reconnaissance permit is currently held 75% by OGIF and 25% by ONHYM.

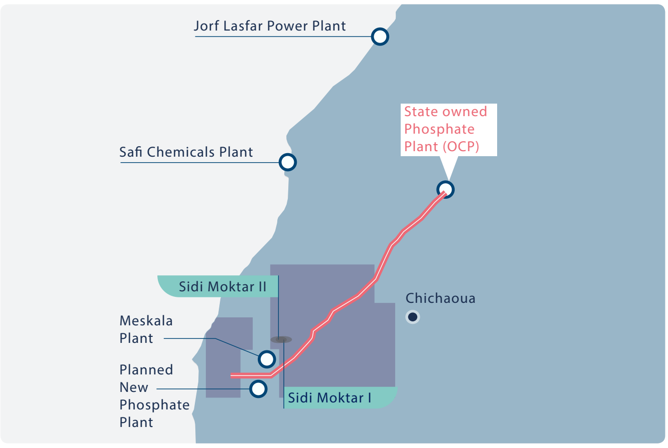
Both Meridja and Tendrara have a pericratonic position and are located between three geologic domains: the inverted High Atlas, the Folded Hercynian Basement and the Non Deformed Saraha Platform.

In Meridja, two main targets have been identified: the Paleozoic formations, which belong to the Hercynian Saharan Platform, and the Triassic Sandstones (TAGI) which belong to the Triassic province. Currently, 15 leads have been identified with reserves potentially similar in scale to those in Tendrara.

Pictured: Drilling TE-6

Operational and Financial Review

Strategic Play - Sidi Moktar



Licence Details	
Area:	4,500 km^2
Status:	Permit
Effective date:	1 July 2009
Term:	8 years
Resource potential:	CPR to be commissioned
Interest:	25%

Permit Area

The Sidi Moktar permit is located in the Essaouira Basin in central Morocco (Western sea border) and is sub-divided into three blocks (North, South and West) with a combined area of 4,500 km^2. Adjacent to and surrounding the permit is the Meskala Field, a gas/condensate discovery, which has been producing since the late 1980s and represents one of the most significant discoveries in Morocco to date. The Sidi Moktar permit itself hosts some 40 wells, a pipeline and production facilities for gas and condensate.

The Geology

There are four petroleum systems (PS) within the Sidi Moktar permit:

- PS1 Argovian (sandy dolomite) which has given rise to five discoveries (Jeer, Kechoula, Sidi Rhalem, Toukimt and N'Dark);
- PS2 Low Liasssic (sandstone) which has given rise to two discoveries (Zelten and Kechoula);
- PS3 Triassic (TAGI equivalent) which has given rise to one discovery (Meskala); and
- PS4 Paleozoic Devonian carbonates which remains frontier exploration.

Activity History

Historically, 84 wells have been drilled in the Essaouira basin with PS2 and PS3 having the highest discovery ratio. Exploration in the basin began in the 1950s resulting in the discovery of two small gas fields (Kechoula in 1957 and Jeer in 1958) and one oil field (Sidi Rhalem in 1961). By 1970, 35 onshore wells and one offshore well had been drilled, of which 12 were classed as appraisal/development. From 1974 to 1980, a further 13 wells were drilled with the aid of multi-fold 2D seismic resulting in three further discoveries at Toukimt (1976), at N'Dark (1976) and at Meskala (1977).

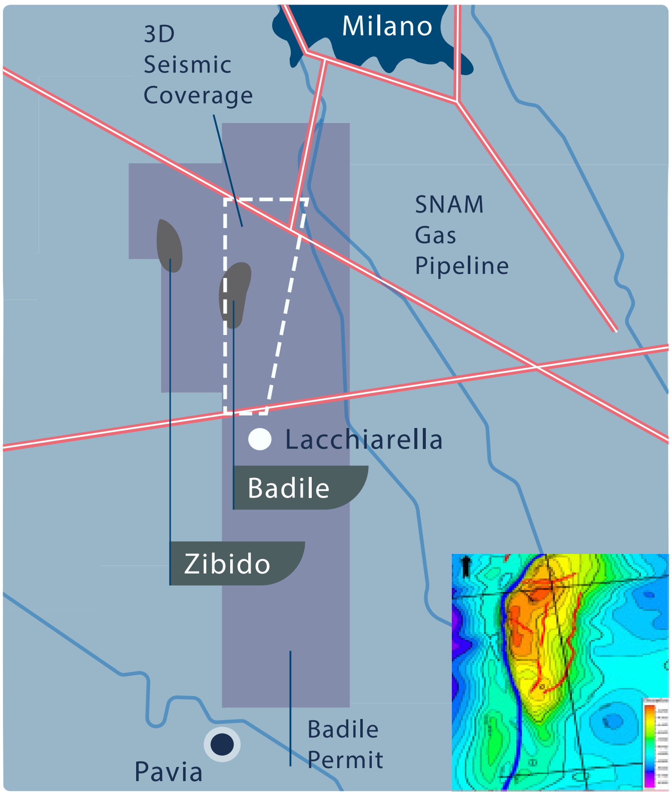
The development of the Meskala Field gave rise to the discovery of gas-condensate in Triassic clastics at 3,500m and a DST yielded a flow rate of 12 MMscf/d. Between 1980 and 1987 a further 28 wells were drilled including nine development wells at Meskala, two of which were the deepest stratigraphic tests in the basin (4.3km), proving the possibility of Ordovician sands as a second potential Palaeozoic target.

Additionally, 7,000 km of seismic have been acquired since the late 1950s.

In 2009, Magreb Petroleum Exploration (MPE) signed a Petroleum Agreement with ONHYM to secure a 75% interest in the Sidi Moktar North, South and West licences, the remaining 25% being held by ONHYM. MPE subsequently farmed out a 50% working interest operated position to Petromaroc (formerly Longreach) in exchange for a full carry to first commercial gas. During the course of 2013 and 2014, Petromaroc drilled two wells which both had gas shows but which were never completed and tested.

In January 2016, Sound secured a 75% interest in the licences through two transactions. The Company is now working on finalising a farmout of the asset.

Strategic Play - Badile



Permit Area

The Badile Permit is situated in the Piedmont Lombard Basin in northern Italy where the principal play is oil, gas and condensate in deep Triassic dolomites and limestones. The permit is adjacent to ENI's Gaggiano oil field and a short distance from the giant Villafortuna-Trecate and Malossa oil fields with total proven recoverable reserves of over 400 MMboe.

The permit area was initially held by ENI in the exclusive zone until 2004. A total of 460-line km 2D and 238 km^2 3D seismic was acquired between 1974 and 1990. Two dry wells were drilled within the permit area between 1978 and 1982.

Activity History

Sound Energy filed an application in January 2006 and the permit was awarded in March 2010. To date G&G data studies, drilling application (Moirago-1 dir. well) and Environmental Impact Assessment have been completed on this permit.

ERC Equipoise Limited completed a full independent Competent Person's Report of this prospect in 2013, confirming a Best Case estimate of gross prospective resources of 178bscf equivalent (106 Bscf of gas plus 12 MMbbl of condensate) with a High Case estimate of 673bscfe (397 Bscf of gas plus 46 MMbbl of condensate) and a Low Case estimate of 46 Bscfe (28 Bscf of gas plus 3 MMbbl of condensate). The study confirmed a 22% geological chance of success for the prospect.

Licence Details	
Area:	154.5 km^2
Status:	Exploration asset
Effective date:	23 March 2010
Term:	6 years*
Resource potential:	178 Bscf
Interest:	100%

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

In October 2014, Sound Energy purchased a 59,140 m^2 plot of industrial land in the Lombardy region of Italy, which will host the drill site for the initial Badile exploration well and for all other production wells required to exploit the discovery. The approval of the Environment Impact Assessment ("EIA") for the Badile exploration well was received from the Lombardy regional government in March 2015. Since then, the Company has been advised by UNMIG (the Italian Ministry of Economic Development) that the Badile permit will be extended until the earlier of 31 December 2016 or 12 months from the date of the award of the final authorisation to drill the forthcoming well. This marks an important step in the local permitting process and enables Sound to continue preparations for the forthcoming exploration well. Final authorisation was achieved in May 2016.

In January 2016 Sound Energy, with independent external support, completed the acquisition of additional well stratigraphic information from the area. As a result of the work, Sound updated its assessment of the prospect resulting in an increase in the estimated chance of success to 34%.

Operational and Financial Review

Producing Assets

Rapagnano Gas Field

Licence Details	
Area:	8.49 km^2
Status:	Concession
Effective date:	28 November 2012
Term:	10 years
Reserves:	1.3 Bscf
Interest:	100%

The concession is located in Fermo Province, Marche Region. Geologically the area is within the Ancona-Pescara Basin associated with the Central Apennine foredeep. First gas was delivered from the onshore Rapagnano field to the local gas distributor on 15 May 2013. The asset successfully produced 125.6 MMscf in 2015 at a rate of 0.34 MMscf/d. During the period, Sound also entered into a 12-month gas sales agreement with Steca Energia Srl, until September 2016 based on a variable market price.

Nervesa Gas Discovery

Licence Details	
Area:	529.75 km^2
Status:	Concession
Effective date:	14 November 2015
Term:	20 years
Reserves:	TBD
Interest:	100%

The permit is located in northeast Italy, within the Alpine foredeep province. The Nervesa structure was first drilled by ENI in 1985 with two wells (Nervesa-1 and Nervesa-1dir. A) and proved gas-bearing in at least 13 sand intervals within the Tortonian. Sound drilled its first well in July 2013 encountering 46 metres of net pay across 13 zones. A second well, Cascina Daga-1 was drilled on the southern structure during 2015, which did not encounter commercial hydrocarbons. Sound received a Production Concession for the first well (the concession is named Casa Tonetto), in late 2015, achieved first gas in February 2016 and has a GSA with Royal Dutch Shell.

Casa Tiberi Gas Discovery

Licence Details	
Area:	49.4 km^2
Status:	Concession
Effective date:	24 February 2012
Term:	20 years
Interest:	100%

The permit is located in Ancona, Marche in central Italy, within the foredeep trough of the Central Apennines. First gas was delivered from the onshore Casa Tiberi field, to the local gas distributor on 28 July 2014, with initial production from the Lower Pliocene Cellino formation. Sound Energy signed a gas sales agreement with Prometeo Spa in summer 2014.

Selected Exploration and Appraisal Prospects

Zibido Prospect (Sound Oil 100%) – Exploration

The Zibido prospect is adjacent to the Badile prospect in the Po Valley. It is a downthrown fault terrace play in the Mesozoic with a total depth of 5,600 metres.

Laura Discovery (Sound Oil 100%) – Appraisal

Laura (DR74-AP) is located in the Ionian Sea Zone D within the Sibari Basin, Gulf of Taranto, 4 km offshore, where the average water is 200 m deep. In 1980, commercial gas was discovered in two sand intervals in Laura-1. The Company was awarded the permit in June 2014 and intends to drill the discovery from an onshore location with a long reach deviated well.

Dora/Dalla (Sound Oil 100%) – Appraisal

The Dora gas discovery, which lies 21 km offshore in the Adriatic Sea, was previously drilled in 1972 and achieved flow rates of 200 MMScf/d. The play is a faulted anticline, gas-condensate in the Scaglia Formation (1,400 m depth). The Dalla project, held within the Dora permit, provides additional exploration potential.

A full list of the Group's Licences and Interests can be found on page 61.

Pictured: View looking up the rig mast

Statement of Proved and Probable Reserves

The Group's proved and probable hydrocarbon reserves as at 31 December 2015 were:

	Gas (Bscf)	MMboe
Proved reserves at 31 December 2014	0.86	0.14
Reclassifications*	0.75	0.13
Production	(0.13)	(0.02)
Proved reserves at 31 December 2015	**1.48**	**0.25**
Probable reserves at 31 December 2014	0.23	0.04
Reclassifications*	2.21	0.37
Probable reserves at 31 December 2015	**2.44**	**0.41**
Total Proved and Probable Reserves at 31 December 2015	**3.92**	**0.66**

* Reported 1P/2P/3P reserves are based on a reservoir study completed in Jan 2015; following the commencement of production in 2016, revisions are anticipated.

Abbreviations:

Bscf: Billion standard cubic feet of gas.
MMbo: Million barrels of oil.
MMboe: Million barrels of oil equivalent (6,000 standard cubic feet of gas = 1 barrel of oil).

Income Statement

In 2015, production continued from the Rapagnano and Casa Tiberi fields, generating revenues of £0.9 million consistent with 2014, which was the first full year of Rapagnano production.

The loss before finance costs and tax from continuing operations increased in 2015 to £18.3 million from £4.9 million, due to a write-off of exploration costs associated with the Cascina Daga-1 well of £5.6 million, impairment of Casa Tonetto £6.3 million and an increase in foreign exchange losses primarily related to intra-group loans denominated in euros. Administrative costs increased by £0.4 million to £3.2 million (2014: £2.8 million) reflecting the increased corporate activity and expansion into a second country.

Cash Flow/Financing

During 2015, £13.9 million of net cash proceeds were raised from financing activities (2014: £19.1 million), primarily from a private placement arranged by Continental Investment Partners in April 2015, and a subsequent Open Offer in June 2015. These placements demonstrate Continental's continued confidence, and the wider shareholder base's confidence, in the Company's strategy against a difficult market backdrop. In 2014, financing activities were split between the issue of debt (£11.4 million gross) and the issue of equity (£8.2 million gross).

The Group spent £7.7 million on investing activities during 2015, which largely consisted of the Cascina Daga exploration well as well as the facilities additions to the Casa Tonetto site in preparation for commercial production.

Balance Sheet

In the year, non-current assets decreased by £7.0 million due to exchange adjustments and impairments offset by capital additions. The functional currency of the Group's Italian subsidiary, which holds most of the Group's assets as at 31 December 2015, is the euro, which weakened significantly against sterling during the year to 31 December 2015 causing the exchange adjustments.

The Group's closing cash balance remained strong at £15.2 million as at 31 December 2015 (2014: £12.6 million). The net proceeds of the successful equity raising more than offsetting the capital expenditure incurred on the work programme for the year. Debt marginally reduced to £12.9 million (2014: £13.4 million).

Accounting Standards

The Group has reported its 2015 full year accounts under International Financial Reporting Standards (IFRS), as adopted by the European Union.

Going Concern

The Directors have reviewed the forward cash flow projections for the Group for the foreseeable future, being at least the next 12 months from the date of this report, which show that the Group has sufficient financial resources to undertake its committed work programme, and thus the Directors have concluded that the Group is a going concern.

Corporate Social Responsibility

Our business relies heavily on successful partnerships with all stakeholders. We target building deep and constructive relationships with our stakeholders, be they government, local communities, employees, suppliers or investors, by being a responsible operator and partner. We conduct our business safely and in a socially responsible and ethical manner. We respect the law and endeavour to protect the environment and communities in which we work. We are focused on minimising the environmental impact of our operations and are committed to a healthy and safe workplace, whether it be on a drill site or in an office. Alongside our employees, we ensure our contractors share our values to produce a safe working environment for all.

Transparency and Ethical Conduct

The Group continues to run its business in an ethical and transparent manner and is aware of its legal obligations with regards to the UK Bribery Act of 2010. These risks are monitored continuously and the Company actively encourages whistleblowing should any inappropriate behaviours be suspected. Employees are supported in identifying and managing these risks. Alongside this, we set minimum standards for contractor selection to ensure our partners are aligned with us in their conduct. We are committed to building long term relationships with our key suppliers and treat them with respect, aiming for prompt payment.

People and Skills

We strive to align our values in the interests of the people who continue to contribute towards Sound Energy's success. This includes all employees and contractors, as we ensure their safety and wellbeing while supporting individual educational and training needs. We have a first class team on the ground and throughout the organisation. The Company is focused on controlling cost, which is reflected in the size of our workforce; Sound Energy had an average of 22 employees during 2015. Our business is growing at a rapid pace with the acquisition of licences in Morocco and the 2016 planned drilling programme, making the recruitment, training, development and retention of our staff critical to the success of our business.

Health and Safety Policy

Sound Energy is committed to conducting its business and operations in all areas of the world in a manner which achieves the following objectives:

- Safeguard the HEALTH of its employees, contractors and the public.
- Conduct its operations without accident, maintaining SAFETY as its goal.
- Minimise the impact of its operations on, and maintain respect for, the ENVIRONMENT.

The Directors and Senior Officers of the Company ensure that these objectives are achieved through:

1. Ensuring that the standards and procedures adopted for its operations will meet the requirements of both the laws of local jurisdictions and international standards of best oilfield practice.
2. Managing our activities to prevent pollution and to minimise adverse effects on the world around us.
3. Ensuring that in designing our operations, health and safety hazards and environmental impacts have been fully assessed and appropriately mitigated.
4. Ensuring that all personnel, including contractors employed by us, are fully aware of their HSE responsibilities and have been properly trained. The commitment to, and ability to adhere to, the above objectives will be a key factor in selecting and awarding contracts to third parties.
5. Undertaking regular monitoring, audit and reporting of its operational activity to identify the necessary compliance with its HSE policy and objectives and adopting targets to achieve continuous improvement in HSE performances.
6. HSE performance will be regularly reported to the Board of Directors who will ensure that appropriate resources are provided to achieve the objectives of this policy in full.

Where the Company participates in, but does not operate, joint ventures it will seek to ensure that similar standards are adopted by its Operators.

Considerations of health, safety and environment are the concern of all employees of the Company and its contractors. We will ensure that competent people, the correct equipment and appropriate standards and procedures are available to meet these considerations. Where necessary the appropriate training will be provided.

We will always act responsibly and safely in our business to bring energy resources to market for the benefit of the community at large. In 2015, we are again delighted to report that we recorded no lost time incidents.

Pictured: One team

Managing Risks

Risk management is central to achieving the Group's strategy and delivering long term value to shareholders. The Board, its Committees and the executive team are actively engaged in setting the risk appetite as well as monitoring and limiting (where possible) the risks to which the Group is exposed. Our governance structure and processes ensure that the Group is able to establish, monitor and review appropriate risk management and internal control systems to identify and mitigate the risks the Group faces. The risk management framework:

- Defines the Company's risk appetite, with reference to the Company's strategy
- Identifies the principal risks and their likelihood and impact
- Enables the Company to manage the risks through an effective internal control system
- Regularly monitors and reviews the risk framework

The framework is regularly reviewed and assessed for completeness and relevance and the Company's business profile monitored throughout the year. Prior to the approval of any new project or transaction, risks are assessed and incorporated into the risk register as appropriate. Responsibility for the risk is allocated to an individual.

Principal risks

The table below indicates the principal risks the Group faces and has been produced following a robust assessment of risk, including consideration of those that would threaten its business model, future performance, solvency or liquidity. The list is not exhaustive or in priority order, and may change over time.

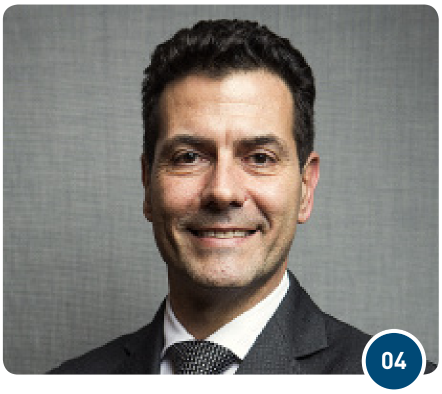
Risk and definition	Impact	Mitigation
Limited diversification Company and its operations may be significantly adversely impacted by regulatory, fiscal, political and/or any other regime changes	• May adversely impact ability to operate (e.g. change to on/offshore regulatory regime in Italy) • Adversely impact profitability & cash flow • Reduce appetite for investment in the Company	• Diversify portfolio to multiple countries (e.g. Morocco entry in 2015) • Build strong relationships with governments, local authorities, local population and other stakeholders • Lobby where appropriate • Monitor potential legislation changes
Licence to operate	• Environmental, ethical, and above ground incidents may result in loss of reputation and licence to operate • Key local stakeholders do not want the Company as a partner adversely impacting the ability to operate	• Build strong relationships with governments, local authorities, local population and other stakeholders
Project execution Major capital projects realised late and/or over budget or do not achieve expected results	• Projects are unprofitable and do not generate shareholder value • Loss of company and management credibility • Additional cost impacts the ability of Company to finance itself	• Project reserve potential and economics regularly reviewed • High quality operational and financial management processes in place, incl. processes relating to well design, AFE and budgeting • Project progress & cost monitoring controls in place
Loss of key personnel	• Loss of confidence of shareholder base • Lack of direction and leadership within the Company • Loss of expertise and knowledge	• Competitive remuneration for key executives bench-marked regularly relative to the market • Long term incentive plan in place • Succession planning considered

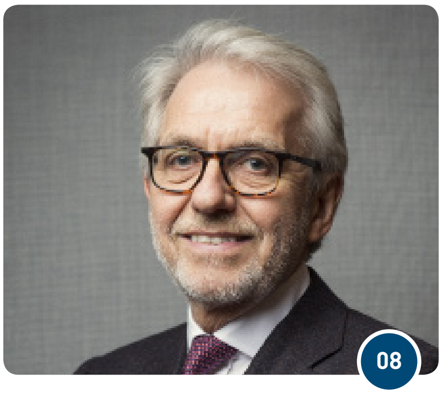
Managing Risks

Risk and definition	Impact	Mitigation
Exploration & Reservoir Risk The Company fails to locate, explore, appraise and develop oil reserves that deliver commercially e.g. key wells are dry or less successful than anticipated.	• The Company does not manage to recover its investment and suffers financial loss. • The Company loses credibility and suffers reputational damage	• Analysis of available technical information (e.g. seismic, drill results) to determine drilling programme • Risk sharing arrangements entered into to reduce downside risk • Technical, financial and Board approvals required for all projects
Operational Incident Including blowouts, safety and environmental incidents and accidents, terrorism	• Loss of life or injury to personnel (staff, contractors, third parties) • Reputational damage • Loss of "licence to operate" • Exposure to litigation • Damage to equipment and disruption of operations • Consequential financial loss (litigation, equipment replacement, cost to redrill)	• Highly skilled, qualified and competent staff. Training provided as required. • Strong HSE ethic & risk assessment • High quality operational management processes including well design, emergency response plan and change of control process • TAC & HSE Committee reviews • Insurance • Security measures in place
Insufficient funds To deliver the Company's work programme and meet ongoing operating requirements	• Company can no longer finance current operations or future investment • Company cannot meet the capital commitments required to maintain licence interests and explore and develop assets	• Finances are controlled through an annual budgeting process and periodic forecast updates, including sensitivity reviews. Budgets are monitored against prior period actuals • The projected cash balance is reviewed on an ongoing basis • There are mitigating actions available to management, including the delay of capex and discretionary spending • Risk is transferred through mechanisms such farm-in and joint venture agreements, which has significantly mitigated the risk during 2016
Exchange rate risk Business transactions are carried out in a variety of currencies including GBP, EUR, USD and MAD. The exchange rates for these key currencies in which the Company transacts may vary significantly.	• The Company may lose out in cash terms, due to exchange rate fluctuations relative to when funds were raised • Exchange rate movements may have an income statement impact where the currency of a transaction differs from the functional currency of the entity	• Match transactional currency to currency of liabilities • Consider use of forwards and/or other derivative instruments to hedge currency risk • Ensure significant contracts are denominated in currencies where the Company can mitigate exchange rate risk

Risk and definition	Impact	Mitigation
Commodity price	• Reduction in gas price reduces revenues and asset valuations • Reduction in commodity prices reduces appetite of investors for the business risks and availability of funding	• A number of different pricing scenarios are used when determining asset values • Price flexes are undertaken for budgeting and cash flow purposes • Enter into long term price contracts • Ensure the business is well funded • Consider strategic purchases and hedging
Breach of Bribery Act The Company, or parties acting on its behalf, breach the rules of the UK Bribery Act 2010 or equivalent legislation.	• Prosecution of the Company and/or individuals under the UK Bribery Act 2010 (or foreign equivalents) leading to unlimited fines, jail sentences and prohibition from operating • Reputational damage • Uneconomic contracts	• Anti-bribery policy in place • Training of staff • Vendors and partners made aware of the Company's anti-bribery policy • Strong financial authority controls

The Team





01 Simon Davies
Chairman (Non-Executive)

Simon was appointed as a Non-executive Director of Sound Energy in February 2014, and has over 30 years' experience of investment management. He is also currently a Non-Executive Director of LCH Clearnet, and a Director of Old Mutual Wealth Management Limited. He began his investment career in 1981 with Rothschild Asset Management, and has held various positions in the City of London, including Chairman and Chief Executive of Threadneedle Asset Management Limited, and Chairman of Thames Water Pension Trustees.

Simon holds various professional and academic qualifications, including a degree in Engineering and Economics.

02 James Parsons
Chief Executive Officer

James Parsons has over 20 years' experience in the fields of strategy, management, finance and corporate development in the energy industry. James was appointed Chief Executive Officer in October 2012 having previously held the office of Chief Financial Officer for a period of a year.

James started his career with the Royal Dutch Shell group in 1994 and spent 12 years with Shell working in Brazil, the Dominican Republic, Scandinavia, Holland and London. Leading up to 2006 (when he joined Inter Pipeline Fund), James held various positions in Shell's exploration and production business, latterly as Vice President, Finance, of New Business. Prior to joining Sound Energy, James was Finance and Corporate Development Director of Inter Pipeline Europe, a division of Inter Pipeline Fund, a Toronto-listed resources business.

03 Luca Madeddu
Managing Director, Morocco

Luca has over 25 years of experience in the upstream oil and gas industry with the Company and ENI, a major integrated energy company. Luca is a reservoir geologist by background and has extensive experience in hydrocarbon production, field development, petroleum engineering, supply chain management and reservoir engineering. He has managed operations across Italy, Venezuela, Nigeria, Indonesia, UK, Congo.

Luca holds a degree in Geology and has been a Member of the Society of Petroleum Engineers (SPE) since 1995.

04 Leonardo Spicci
Managing Director, Italy

Leonardo has over 25 years' upstream experience with ENI, Petrobel, KPO and GSA, with extensive experience of working in Italy, Northern Africa, Middle East and Central Asia.

Prior to joining Sound Energy in 2013 he was the District Manager for all Northern Italian Assets at ENI, managing a portfolio of onshore fields, offshore platforms and gas and oil treatment plants.

Leonardo has a BSc in Geological Science and is a Member of the Society of Petroleum Engineers.

05 Leonardo Salvadori
Business Development Director and Deputy MD, Italy

Leonardo Salvadori has over 30 years of international upstream experience with ENI (North Sea, North Africa, Middle and Far East) and Dana Gas (Egypt) leading multinational teams in exploration, business development and general management, both onshore and offshore.

06 Mary Hood
Chief Financial Officer

Mary joined Sound Energy in January 2016. Mary has more than 10 years upstream experience with Gulf Keystone and Deloitte. Mary is a Qualified Chartered Accountant and Chartered Company Secretary.

07 Marco Fumagalli
Director (Non-Executive)

Marco Fumagalli joined Sound Energy as a Non-executive Director in July 2014. Marco is Managing Partner at Continental Investment Partners SA, a Swiss based investment firm and cornerstone shareholder in Sound Energy. Marco is a well-known Italian businessman who was previously a Group Partner at 3i. Marco is a qualified accountant and holds a degree in Business Administration.

08 Richard Liddell
Director (Non-Executive)

Richard Liddell has over 35 years' experience in the oil and gas industry. He served on the board of Falkland Oil and Gas from 2005 to 2015 initially as a non-executive director and for the nine years from 2006, as Chairman. Richard is also Chairman and Managing Director of Clara Petroleum, an exploration and production company which he founded in 2008. He served on the board of Premier Oil as Operations Director from 2000 until 2003 and prior to that spent three years as Director of Development on the board of BG Exploration and Production. Richard previously held a number of senior UK and international positions during an 18-year career at Philips Petroleum Company.

09 Stephen Whyte
Director (Non-Executive)

Stephen Whyte has over 25 years' experience in the oil and gas industry. He was Chief Operating Officer and Executive Director for Exploration and Production at Galp Energia for three years until 2014 and prior to that spent three years as Senior Vice President Commercial at BG Group. He previously spent a total of 14 years with Shell and six years with Clyde Petroleum.

Corporate Governance Report

The Board recognises the importance of sound corporate governance and notes the guidelines set out in the UK Corporate Governance Code (the "Code"). Companies on the AIM market of the London Stock Exchange ("AIM") are not required to comply with the Code. However, the Company is committed to high standards of good governance and has regards to the principles of the Code as far as is practicable and appropriate having regard to the current size and structure of the Company.

The Board and its Committees

As at 31 December 2015 the Board consisted of the Chief Executive Officer, Non-executive Chairman and three Non-executive Directors. All the Non-executive Directors and the Chairman are independent in character and judgement and have the range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. Two of the Non-executive Directors meet the requirements of independence prescribed in the UK Code.

In accordance with the Code no Director has an employment contract with more than one year's notice.

The Board is responsible for overall strategy, acquisition policy, major capital expenditure projects, corporate overhead costs, significant financing matters and maintaining sound internal control procedures. The matters reserved for the Board include approval of the Group's long term objectives, policies, budgets, changes to the management structure, ensuring systems of internal control and approval of the annual report and financial statements. The Company holds regular Board meetings, with six scheduled meetings throughout the year and ad hoc meetings held as and when required. During the year 13 Board meetings were held.

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to executive management. The Board is responsible for monitoring the activities of the executive management. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. In the event of an equality of votes at a meeting of the Board, the Chairman has a second or casting vote. No one individual has unfettered powers of decision. The roles of Chairman and Chief Executive Officer are split in accordance with best practice. There is no formal Board performance appraisal system in place but the Remuneration and Nomination Committee considers this part of its remit.

The Board has established levels of authorisation of financial commitments and payment approval procedures appropriate to the size of the business. The Board receives reports on income and expenditure and on the Company's financial position.

On the wider aspects of internal control, relating to operational and compliance controls and risk management as included in provision C.2.1 of the Code, the Board, in setting the control environment, identifies and reviews the key areas of business risk facing the Group.

There is close, day-to-day involvement by the Executive Director in all of the Group's activities. This includes the comprehensive review of both management and technical reports, the monitoring of foreign exchange and interest rate fluctuations, government and fiscal policy issues and cash control procedures. In this way, the key risk areas can be monitored effectively and specialist expertise is applied in a timely and productive manner.

Any system of internal control can provide only reasonable, and not absolute, assurance that the risk of failure to achieve business objectives is eliminated. The Directors acknowledge that they are responsible for the Company's system of internal control and for reviewing its effectiveness. The Directors, having reviewed the effectiveness of the system of internal controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date that the financial statements were signed.

The Company has less than thirty permanent employees and the Directors do not believe the Company is sufficiently complex to warrant the establishment of an internal audit function. The Directors will review this policy as and when the Company's circumstances warrant.

The Board has a health and safety committee, audit committee, remuneration and nominations committee and a technical assurance committee.

Audit Committee

The Audit Committee comprises two of the Non-executive Directors, Marco Fumagalli and Stephen Whyte. Mr Fumagalli chairs the Committee. Its role is to monitor:

- the integrity of the Company's financial statements and other formal announcements relating to the Company's financial performance;
- the effectiveness of the risk management and internal control systems including the result of reviews of the system and management's response to review findings;
- the appropriateness of the Company's relationship with the external Auditor and the objectivity of the audit process;
- the enforcement of the Company's code of conduct and the adequacy and security of the whistleblowing procedure and anti-bribery and corruption policy.

The Audit Committee may if it wishes hold private sessions with management and the external Auditor.

The Audit Committee met twice during 2015 and proposes to meet at least twice during the next financial year.

Remuneration and Nominations Committee

The Board has a Remuneration and Nominations Committee as described in the Report on Directors' Remuneration. The Committee consists of three Non-executive Directors, Simon Davies, Marco Fumagalli and Richard Liddell. Mr Davies chairs the Committee. The Committee meets to consider all material elements of remuneration policy, including Directors' remuneration, assessing Directors' performance, planning succession for the Chairman and Chief Executive and for new nominees to the Board. The Committee met twice during 2015 and proposes to meet at least twice during the next financial year.

Technical Assurance Committee

The Committee consists of two Non-executive Directors, Richard Liddell and Stephen Whyte, with Richard Liddell in the Chair. The Committee meets on an ad hoc basis to discuss technical matters as required. In 2015 the Committee held 7 meetings.

Health and Safety (HSE) Committee

The Committee consists of Richard Liddell and two of the executive management, Luca Madeddu and Leonardo Spicci. Mr Liddell chairs the committee, which is primarily focused on ensuring that the HSE policies are are adopted and applied across the Group. In 2015 the Committee held 10 meetings.

Remuneration Report

Compliance

The remuneration of the Executive Director is determined by the Remuneration and Nominations Committee (the 'Committee') and ratified by the Board. The Committee is composed entirely of Non-executive Directors, and currently comprises Simon Davies, who chairs the Committee, Marco Fumagalli and Richard Liddell. The Executive Director of the Company is not involved in determining his own remuneration.

The Committee's role includes:

- determining and agreeing the remuneration policy for Directors and executive management;
- ensuring that executive remuneration packages are competitive and fairly and responsibly reward contributions;
- determining the award of annual bonus payments and recommending the levels for executives;
- determining the award of share options under the incentive schemes;
- considering any new long term incentive schemes and any performance criteria attached; and
- agreeing Directors' service contracts.

The Committee has the authority to seek independent advice as required. The Committee consults with the Executive Team as required during the year. The Committee endorses the principle of mitigation of damages on early termination of a service contract.

It is the Committee's current intention to continue with the above remuneration approach for 2016 and subsequent years although the Committee will keep the matter under review. The Committee's current intention with regard to share options is that they form a critical part of the long term incentive scheme for the executive team and may be awarded annually.

Remuneration structure

The Executive Team's remuneration is basic salary with possible share options and bonuses awarded dependent on individual and Company performance. A contributory pension scheme, compliant with UK legislation, was established in 2012 for UK employees.

Base salary

Base salary is reviewed each year against other comparable companies in the oil and gas sector and general market data on the basis of companies in similar industries and those of a similar size. The objective is to ensure that the base salary provides a competitive remuneration package. The base salaries of the Executive Team are currently positioned in the median. While salary is reviewed by reference to market conditions, the performance of the Company and the performance of the individual, the Committee would not regard this element of remuneration as directly performance related.

Bonuses

The performance of the Company and the Executives over the year is taken into consideration when assessing any annual cash bonus. Both Corporate and Individual key performance indicators (KPIs) are set at the beginning of each year's budget process. Bonuses may be awarded up to a maximum of 100% of base salary depending on the seniority of the employee and following a review of corporate and individual performance against the KPIs.

Contracts of employment

The details of the Executive Director's contract of employment and Non-executive Directors' letters of appointment are set out below:

- James Parsons has a contract of employment with a notice period for termination of six months.
- Non-executive Directors have letters of appointment with a notice period for termination of three months.
- The Company has granted an indemnity to all its Directors under which the Company will, to the fullest extent permitted by applicable law and to the extent provided by the Articles of Association, indemnify them against all costs, charges, losses and liabilities incurred by them in the execution of their duties.
- In the event of a change of control of the Company, James Parsons has the option to give notice and receive a lump sum equivalent to 18 months' salary. The Non-Executive Directors have the option to give notice and receive a lump sumequivlent to 12 months' salary.

Summary of actual remuneration of Directors

	Salary £'000s	2015 Performance Award £'000s	**Total 2015 £'000s**	Total 2014 £'000s
Executive Directors				
James Parsons	287	205	**492**	420
Luca Madeddu[i] [iii]	150	N/A	**150**	104
Non-executive Directors and Chairman				
Simon Davies	60	–	**60**	40
Marco Fumagalli	40	–	**40**	15
Richard Liddell[iv]	10	–	**10**	–
Stephen Whyte[iv]	10	–	**10**	–
Andrew Hockey[ii] [iii]	56	–	**56**	62
Gerry Orbell[iii]	40	–	**40**	30
Total for all Directors	653	205	**858**	671

(i) Luca Madeddu's reported remuneration commences from the date of his appointment to the Sound Energy Board in September 2014 until his resignation.
(ii) Includes prorated salary as Group Chairman until 25 June 2014.
(iii) Resigned from the Board on 28 September 2015.
(iv) Appointed 28 September 2015.

Share Options

	Date of Grant	Exercisable Date	Acquisition Price per share (pence)	Options held at 1 January 2015	Options held at 31 December 2015
J Parsons	5.09.2011	5.09.2012–4.09.2016	21.75	110,000	110,000
	5.09.2011	5.09.2013–4.09.2016	21.75	110,000	110,000
	5.09.2011	5.09.2014–4.09.2016	21.75	110,000	110,000
	1.03.2012	1.03.2013–28.02.2018	25.00	150,000	150,000
	1.03.2012	1.03.2014–28.02.2018	25.00	150,000	150,000
	1.03.2012	1.03.2015–28.02.2018	25.00	150,000	150,000
	26.10.2012	26.10.2012–25.10.2016	16.50	333,333	333,333
	26.10.2012	26.10.2013–25.10.2016	16.50	333,333	333,333
	26.10.2012	26.10.2014–25.10.2016	16.50	333,334	333,334
	19.06.2014	29.07.2017–29.07.2019	8.00	3,350,000	3,350,000
	25.09.2015	25.09.2018–25.09.2020	14.25	–	1,250,000

The granting of share options under the Long Term Incentive Plan (LTIP) is designed to align Executive remuneration with the long term interest of shareholders. Only Key Personnel, whom the Group wishes to retain over the long term, are invited to join the LTIP. The end of 2015 option coverage to Directors and Key Personnel is is 4.0% of issued share capital. Over the long term the Board wish to move towards the 10% approved cap.

During 2015, James Parsons exercised 1,333,333 options at an acquisition price of 6.50 pence per share.

Directors' Report

The Directors present their report and the Group financial statements for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company and its subsidiaries (the Group) is the exploration, appraisal and development to first production as an active operator in the oil and gas industry. Its current principal activity is in Italy and Morocco.

Directors and their interests

Directors of Sound Energy plc holding office during the year were:

Simon Davies
James Parsons
Marco Fumagalli
Richard Liddell (appointed 28 September 2015)
Stephen Whyte (appointed 28 September 2015)
Luca Madeddu (appointed 8 September 2014, resigned 28 September 2015)
Andrew Hockey (resigned 28 September 2015)
Gerry Orbell (appointed 5 February 2014, resigned 28 September 2015)

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company:

Simon Davies	10,000,000 shares
James Parsons	957,354 shares
Richard Liddell	75,000 shares
Stephen Whyte	68,646 shares

Going concern

Details of going concern considerations are shown in the Operating and Financial Review on page 19.

Results and Dividends

The loss for the year was £18.5 million (2014: £4.8 million)

The Directors do not recommend the payment of a dividend.

Political contributions

During the period the Group made no political contributions.

Auditor

Crowe Clark Whitehill LLP continue as the Company's Auditor until the next Annual General Meeting. A resolution to reappoint them as Auditor will be put to shareholders at the forthcoming Annual General Meeting.

Technical Assurance Committee (TAC)

The TAC exists to provide subsurface, technical, and operational oversight of and support to the Company's executive. The TAC is also routinely involved in the technical, geological and operational screening of growth opportunities.

The CEO attends all TAC meetings along with other Executive Team members who are invited from time to time depending on the requirement for specialist input. The TAC has formal meetings which are minuted and has access to an annual budget for use in securing relevant professional assistance.

Provision of information to Auditor

Each of the persons who is a Director at the date of approval of this Annual Report and Financial Statements confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware;
- the Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors is aware of that information; and
- this confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Disclosure in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized companies and groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic Report.

Health and Safety

The Board of Sound Energy plc considers the health and safety of its employees, contractors and all stakeholders to be paramount and is determined to protect the environment in which it works. In 2012 Sound Energy convened a Board Committee dedicated to ensuring the application of our HSE policies across the Company. This Committee has continued to work through 2014. The table below sets out our operational HSE performance for 2014 and 2015, showing us continuing to execute our operations without a Lost Time Incident occurring. We are pleased with this performance and look forward to maintaining these standards through 2016.

Operations Type

	2015 Operations (Hours)	2015 Lost time Incidents* (Numbers)	2015 Lost time Incidents* (Hours)	2014 Operations (Hours)	2014 Lost time Incidents* (Numbers)	2014 Lost time Incidents* (Hours)
Drilling	**4,128**	**–**	**–**	–	–	–
Well Testing	**–**	**–**	**–**	–	–	–
Facilities Construction	**470**	**–**	**–**	552	–	–
Production Operations	**444**	**–**	**–**	608	–	–
Totals	**5,042**	**–**	**–**	1,160	–	–

* Lost Time Incident: any work related injury or illness which prevents that person from doing any work the day after the accident (as defined by the International Association of Oil and Gas Producers Glossary of HSE Terms,1999).

Substantial shareholdings

At 9 May 2016, Continental Investment Partners (Metano Capital S.A. & Greenberry S.A.) was directly and indirectly interested in 12.98% of Sound Energy's share capital.

By order of the Board

Amanda Bateman
Company Secretary
23 May 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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;
- 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 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.

The Directors are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

Independent Auditor's Report

We have audited the consolidated financial statements of Sound Energy plc for the year ended 31 December 2015 which comprise Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and the Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report, the Chairman and Chief Executive Officer's Statement, the financial and technical reviews, the statement of proved and probable reserves, the report on Directors' Remuneration and the Corporate Governance Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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.

Matthew Stallabrass (Senior Statutory Auditor)
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
St. Bride's House
10 Salisbury Square
London
EC4Y 8EH
23 May 2016

Note: The maintenance and integrity of Sound Energy plc website is the responsibility of the Directors. The work carried out by the auditor does not involve consideration of these matters and accordingly the auditor accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 £'000s	2014 £'000s
Revenue		**859**	983
Operating costs		**(538)**	(658)
Impairment of producing assets	9	**(6,347)**	(723)
Exploration costs	11	**(5,838)**	(74)
Gross profit		**(11,864)**	(472)
Administrative expenses		**(3,181)**	(2,773)
Group operating loss from continuing operations	3	**(15,045)**	(3,245)
Finance revenue	6	**52**	7
Foreign exchange loss		**(1,389)**	(661)
External interest costs		**(1,905)**	(1,022)
Loss for the year before taxation		**(18,287)**	(4,921)
Tax expense	7	**–**	–
Loss for the year after taxation		**(18,287)**	(4,921)
Foreign currency translation		**(320)**	127
Total comprehensive loss for the year		**(18,607)**	(4,794)
Loss for the year attributable to:			
Owners of the company		**(18,607)**	(4,794)
Non-controlling interests		**–**	–

	Notes	2015 £'000s	2014 £'000s
Loss per share and diluted for the year	8	**(3.90)**	(1.40)
Attributable to the equity shareholders of the parent (pence)	8	**(3.90)**	(1.40)

Consolidated Balance Sheet

as at 31 December 2015

	Notes	2015 £'000s	2014 £'000s
Non-current assets			
Property, plant and equipment	9	**5,558**	13,200
Intangible assets	11	**9,564**	8,888
Land and buildings	10	**1,327**	1,433
		16,449	23,521
Current assets			
Other receivables	13	**2,506**	2,173
Prepayments		**99**	157
Cash and short term deposits	14	**15,240**	12,608
		17,845	14,938
Total assets		**34,294**	38,459
Current liabilities			
Trade and other payables	15	**2,097**	2,194
Loans repayable in under one year	15	**5,751**	131
		7,848	2,325
Non-current liabilities			
Deferred tax liabilities	16	**1,992**	2,099
Loans due in over one year	15	**7,157**	13,437
Provisions	17	**1,138**	1,164
		10,287	16,700
Total liabilities		**18,135**	19,025
Net assets		**16,159**	19,434
Capital and reserves			
Equity share capital		**86,315**	71,298
Warrant reserve		**369**	369
Foreign currency reserve		**1,068**	1,388
Accumulated deficit		**(71,593)**	(53,621)
Total equity		**16,159**	19,434

The financial statements were approved by the Board and authorised for issue on 23 May 2016 and were signed on its behalf by:

J Parsons
Director

S Davies
Director

The accounting policies on pages 40 to 44 and notes on pages 40 to 60 form part of these financial statements.

Company Balance Sheet

as at 31 December 2015

Company Number 05344804

	Notes	2015 £'000s	2014 £'000s
Non-current assets			
Property, plant and equipment		**7**	7
Fixtures and fittings		**30**	35
Software		**100**	–
Investments in subsidiaries	12	**35,450**	25,735
		35,587	25,777
Current assets			
Other receivables	13	**171**	44
Prepayments		**25**	32
Cash and short term deposits	14	**12,288**	11,914
		12,484	11,990
Total assets		**48,071**	37,767
Current liabilities			
Trade and other payables	15	**1,213**	1,448
Non-current liabilities			
Loans	15	**7,157**	6,627
Net assets		**39,701**	29,692
Capital and reserves attributable to equity holders of the Company			
Issued share capital and share premium		**86,315**	71,298
Warrant reserve		**369**	369
Accumulated deficit		**(46,983)**	(41,975)
Total equity		**39,701**	29,692

The financial statements were approved by the Board and authorised for issue on 23 May 2016 and were signed on its behalf by:

J Parsons
Director

S Davies
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

Group

	Notes	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 year		–	–	(18,287)	–	–	(18,287)
Other comprehensive income		–	–	–	–	(320)	(320)
Total comprehensive loss		–	–	(18,287)	–	(320)	(18,607)
Issue of share capital		886	15,342	–	–	–	16,228
Transaction costs		–	(1,211)	–	–	–	(1,211)
Share based payments	23	–	–	315	–	–	315
At 31 December 2015		**5,039**	**81,276**	**(71,593)**	**369**	**1,068**	**16,159**

Company

	Notes	Share capital £'000s	Share premium £'000s	Accumulated deficit £'000s	Warrant reserve £'000s	Total equity £'000s
At 1 January 2015		4,153	67,145	(41,975)	369	29,692
Total loss for the year		–	–	(5,323)	–	(5,323)
Issue of share capital		886	15,342	–	–	16,228
Transaction costs		–	(1,211)	–	–	(1,211)
Share based payments	23	–	–	315	–	315
At 31 December 2015		**5,039**	**81,276**	**(46,983)**	**369**	**39,701**

Group

	Notes	Share capital £'000s	Share premium £'000s	Accumulated deficit £'000s	Warrant reserve £'000s	Foreign currency reserves £'000s	Total equity £'000s
At 1 January 2014		2,876	60,209	(49,029)	–	1,261	15,317
Total loss for the period		–	–	(4,921)	–	–	(4,921)
Other comprehensive income		–	–	–	–	127	127
Total comprehensive income/(loss)		–	–	(4,921)	–	127	(4,794)
Issue of share capital		1,277	7,442	–	–	–	8,719
Transaction costs		–	(506)	–	–	–	(506)
Fair value of warrants		–	–	–	369	–	369
Share based payments	23	–	–	329	–	–	329
At 31 December 2014		4,153	67,145	(53,621)	369	1,388	19,434

Company

	Notes	Share capital £'000s	Share premium £'000s	Accumulated deficit £'000s	Warrant reserve £'000s	Total equity £'000s
At 1 January 2014		2,876	60,209	(38,653)	–	24,432
Total Loss for the period		–	–	(3,651)	–	(3,651)
issue of share capital		1,277	7,442	–	–	8,719
Transaction costs		–	(506)	–	–	(506)
Fair value of warrants		–	–	–	369	369
Share based payments	23	–	–	329	–	329
At 31 December 2014		4,153	67,145	(41,975)	369	29,692

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Notes	2015 £'000s	2014 £'000s
Cash flow from operating activities			
Cash flow from operations		**(3,487)**	(3,327)
Interest received		**52**	7
Net cash flow from operating activities		**(3,435)**	(3,320)
Cash flow from investing activities			
Capital expenditure and disposals		**(1,156)**	(2,258)
Exploration and development expenditure		**(6,545)**	(1,089)
Net cash flow from investing activities		**(7,701)**	(3,347)
CSTI funding contract		**(117)**	(242)
Net proceeds from debt		**–**	11,398
Net proceeds from equity issue		**15,017**	8,213
Interest payments		**(1,051)**	(280)
Net cash flow from financing activities		**13,849**	19,089
Net increase in cash and cash equivalents		**2,713**	12,420
Net foreign exchange difference		**(81)**	(355)
Cash and cash equivalents at the beginning of the year		**12,608**	543
Cash and cash equivalents at the end of the year	14	**15,240**	12,608

Notes to Cash Flow

for the year ended 31 December 2015

	Notes	2015 £'000s	2014 £'000s
Cash flow from operations reconciliation			
Loss before tax		**(18,287)**	(4,921)
Finance revenue	6	**(52)**	(7)
Payroll bonuses paid in shares		**–**	60
Exploration expenditure written off and impairment of producing assets		**12,185**	797
Decrease in accruals and short term payables		**(97)**	(603)
Depreciation	9	**136**	225
Share based payments charge	23	**315**	329
Increase in long term provisions		**–**	(62)
Finance costs and exchange loss on intercompany loans		**2,588**	1,022
Increase in receivables		**(275)**	(167)
Cash flow from operations		**(3,487)**	(3,327)

In the year the Company provided a bank guarantee of $2.75 million to the Moroccan Ministry of Petroleum in order to guarantee the Company's minimum work programme obligations. As the Company expects to satisfy these commitments within 2016, this amount remains included as a liquid cash equivalent.

Company Cash Flow Statement

for the year ended 31 December 2015

	Notes	2015 £'000s	2014 £'000s
Cash flow from operating activities			
Cash flow from operations		**(2,937)**	(2,034)
Interest received		**29**	5
Net cash flow from operating activities		**(2,908)**	(2,029)
Cash flow from investing activities			
Capital expenditure and disposals		**(55)**	(36)
Cash advances to subsidiaries		**(10,669)**	(1,263)
Net cash flow from investing activities		**(10,724)**	(1,299)
Net proceeds from debt		**–**	6,430
Net proceeds from equity issue		**15,017**	8,213
Interest payments		**(662)**	(185)
Net cash flow from financing activities		**14,355**	14,458
Net increase in cash and cash equivalents		**723**	11,130
Net foreign exchange difference		**(349)**	366
Cash and cash equivalents at the beginning of the year		**11,914**	418
Cash and cash equivalents at the end of the year	14	**12,288**	11,914

Notes to Cash Flow

for the year ended 31 December 2015

	Notes	2015 £'000s	2014 £'000s
Cash flow from operations reconciliation			
Loss before tax		**(5,323)**	(4,921)
Intragroup recharges		**(143)**	(408)
Finance revenue		**(29)**	(5)
Finance charges to be paid in shares		**–**	625
Payroll bonuses paid in shares		**–**	30
(Increase)/decrease in receivables		**(120)**	155
(Decrease)/increase in accruals and short term payables		**(235)**	1,449
Depreciation		**22**	5
Share based payments charge	23	**315**	329
Finance costs and exchange losses on intercompany loans		**2,576**	707
Cash flow from operations		**(2,937)**	(2,034)

Notes to the Financial Statements

1 Accounting policies

Sound Energy plc is a public limited company registered and domiciled in England and Wales under the Companies Act 2006.

(a) Basis of preparation

The financial statements of the Group and its parent have been prepared in accordance with:

1. International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs, as adopted by the European Union), IFRIC Interpretations; and
2. those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 2015 were authorised for issue by the Board of Directors on 23 May 2016.

As at 31 December 2015 the Group had £15.2 million of available cash. Based on the current management plan, management believes that the Group will remain a going concern for the next 12 months from the date of the authorisation of the financial statements on the basis that the Group has sufficient funding options for the forecast expenditure (12 months through 23 May 2017) using both the available cash resources and funding from partners in the main strategic licences.

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. Actual outcomes could differ from those estimates.

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), investments and goodwill and the estimation of share based payment costs.

The Group determines whether E&E assets are impaired in cost pools when facts and circumstances suggest that the carrying amount of a cost pool may exceed its recoverable amount. As recoverable amounts are determined based upon risked potential, or where relevant, discovered oil and gas reserves, this involves estimations and the selection of a suitable discount rate. The capitalisation and any write-off of E&E assets necessarily involve certain judgements with regard to whether the asset will ultimately prove to be recoverable.

In determining the treatment of E&E assets and investments the Directors are required to make estimates and assumptions as to future events and circumstances. There are uncertainties inherent in making such assumptions, especially with regard to oil and gas reserves and the life of, and title to, an asset; recovery rates; production costs; commodity prices; and exchange rates. Assumptions that are valid at the time of estimation may change significantly as new information becomes available and changes in these assumptions may alter the economic status of an E&E asset and result in resources or reserves being restated. The estimation of recoverable amounts, based on risked potential and the application of value in use calculations, are dependent upon finance being available to fund the development of the E&E assets.

Goodwill is tested annually and at other times when impairment indications exist. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset and chooses a suitable discount rate in order 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.

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 (see note 19).

1 Accounting policies continued

The Group considers the latest available information on the performance of producing licences compared to expected targets and where there are indications that the production is below expectations, the Group's reservoir engineers conduct an evaluation to identify the technical reasons and where necessary seek opinion from external engineers. The Group has reviewed the carrying value of the Casa Tonetto licence in view of the reservoir performance being below expectations upon commencement of production at the beginning of 2016 and recognised that an impairment charge of £6.3 million (note 9) was required. The carrying value of Casa Tonetto after impairment was £4.8 million and for every 5% adjustment in the reservoir size the impairment charge would vary by approximately £0.3 million.

(b) Basis of consolidation

The Group financial statements consolidate the Income Statements and Balance Sheets of the Company and its subsidiary undertakings. Joint venture undertakings are accounted for using the proportionate consolidation method from the date that significant influence or joint control (respectively) commences until the date this ceases. Associates are accounted for using the equity method.

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

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Separate financial statements

Investments in subsidiaries, joint ventures and associates are recorded at cost, subject to impairment testing in the Group's financial statements.

(c) Foreign currency translation

The functional currency of the Company is pound sterling. The functional currency of the Italian subsidiaries is the euro.

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.

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. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(d) Oil and gas assets

The Group's capitalised oil and gas costs principally relate to properties that are in the 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 will continue to monitor the application of these policies in the light of expected future guidance on accounting for oil and gas activities.

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 licence 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.

The useful lives of the assets are considered to be finite.

Exploration and evaluation costs

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 exploration and evaluation assets.

Notes to the Financial Statements

continued

1 Accounting policies continued

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

Intangible E&E assets relating to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations including 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 conclusion of appraisal activities.

Development and production assets

Development and production assets are accumulated generally on a field-by-field 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 production of commercial reserves. The cash generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single income generating unit where the cash flows of each field are interdependent.

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method where the transaction meets the definition of a business combination or joint venture.

Transactions involving the purchase of an individual field interest, or a group of field 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 field interests directly, or the transfer of an incorporated entity. Accordingly, no goodwill arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

(e) Expenses recognition

Expenses are recognised on the accruals basis unless otherwise stated.

(f) Property, plant and equipment

Fixtures, fittings and equipment are recorded at cost as tangible assets.

The straight-line method of depreciation is used to depreciate the cost of these assets over their estimated useful lives, which is estimated to be four years.

(g) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at its original value, less any accumulated impairment losses subsequently incurred.

Goodwill is not amortised. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised.

(h) Borrowing costs

Borrowing costs 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.

1 Accounting policies continued

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(k) 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. Trade and other receivables are initially measured at fair value and are subsequently reassessed at the end of each accounting period. Cash and cash equivalents comprise cash on hand and demand deposits, 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. 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. 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.

(l) Share based payments

The Group issues equity-settled share based payments to certain employees. The fair value of each option at the date of the grant is estimated using the Black–Scholes option-pricing model based upon the option price, the share price at the date of issue, volatility and the life of the option. The estimated fair value of the option is amortised to 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 vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Notes to the Financial Statements

continued

1 Accounting policies continued

(m) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU. The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will have an impact on the recognition of operating leases. At this point it is not practicable for the Directors to provide a reasonable estimate of the effect of these standards as their detailed review of these standards is still ongoing.

(n) 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.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(p) Revenue Recognition

Revenue associated with production sales of natural gas is recorded when title passes to the customer.

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 2015 the Group's exploration and appraisal activities were carried out in Italy. A Moroccan office was opened in 2015 with the objective of drilling at the recently acquired Tendrara appraisal opportunity.

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 segment is included in the following tables.

2 Segment information continued

Segment results for the period 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	(3,294)	–	–	(3,294)
Loss for the period before taxation	(6,423)	(6,026)	(5,838)	(18,287)

Segment revenue reported above represents revenue generated from external customers. All the revenue arose from operations in Italy.

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)

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

	UK £'000s	Italy £'000s	Morocco £'000s
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

Segment revenue reported above represents revenue generated from external customers. All the revenue arose from operations in Italy.

Segment results for the year ended 31 December 2014 were as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Sales and other operating revenues	–	983	–	983
Operating costs	–	(658)	–	(658)
Exploration costs	–	–	(74)	(74)
Impairment of producing assets	–	(723)	–	(723)
Administration expenses	(2,773)	–	–	(2,773)
Operating loss segment result	(2,773)	(398)	(74)	(3,245)
Interest receivable	7	–	–	7
Finance costs	(1,552)	(131)	–	(1,683)
Loss for the period before taxation	(4,318)	(529)	(74)	(4,921)

Notes to the Financial Statements

continued

2 Segment information continued

The segments assets and liabilities at 31 December 2014 are as follows:

	Corporate £'000s	Development & Production £'000s	Exploration & Appraisal £'000s	Total £'000s
Non-current assets	–	13,112	10,409	23,521
Current assets	14,938	–	–	14,938
Total liabilities	(2,099)	(1,557)	(15,369)	(19,025)

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

	UK £'000s	Italy £'000s
Development and production assets	–	13,112
Land and buildings	–	1,433
Fixtures, fittings and office equipment	42	46
Goodwill	–	2,099
Exploration and evaluation assets	–	6,789
Total	42	23,479

3 Operating Loss

	2015 £'000s	2014 £'000s
Operating loss is stated after charging:		
Auditor's remuneration	**76**	75
Depreciation	**136**	225
Employee costs	**2,557**	2,192
Impairment charges and exploration costs	**12,185**	723

4 Auditor's Remuneration

	2015 £'000s	2014 £'000s
Fees payable to Company's Auditor for the audit of Company's annual accounts	**65**	65
Fees payable to the Company's Auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**7**	6
Tax services	**4**	4
	76	75

5 Employee Costs

	2015 £'000s	2014 £'000s
Staff costs, including Executive Directors		
Share based payments	**315**	329
Wages and salaries	**1,885**	1,507
Social security costs	**308**	347
Employee benefits	**49**	9
Total	**2,557**	2,192

5 Employee Costs continued

	2015 Number	2014 Number
Number of employees (including Executive Directors) at the end of the year		
Technical and operations	**8**	5
Management and administration	**14**	11
Total	**22**	16

6 Finance Revenue

	2015 £'000s	2014 £'000s
Interest on cash at bank and short term deposits	**52**	7

7 Taxation

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

	2015 £'000s Group	2014 £'000s Group
Current tax		
UK Corporation tax (charge)/credit	**–**	–
Adjustment to tax expense in respect of prior years	**–**	–
Overseas tax	**–**	–
Total current tax (charge)/credit	**–**	–
Deferred tax income arising in the current year	**–**	–
Total tax (charge)/credit	**–**	–

(b) Reconciliation of tax charge

	2015 £'000s Group	2014 £'000s Group
Loss before tax	**(18,287)**	(4,921)
Tax (charge)/credit charged at UK corporation tax rate of 20% (2014: 21%)	**3,657**	1,033
Temporary differences not recognised	**(1,065)**	(625)
Differences in overseas tax rates	**(2,592)**	(408)
Total tax (charge)/credit	**–**	–

8 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. Basic profit/(loss) per share is calculated as follows:

	2015 £'000s	2014 £'000s
Loss after tax from continuing operations	**(18,287)**	(4,921)

	2015 million	2014 million
Weighted average shares in issue	**467**	360

	2015 pence	2014 pence
Loss per share (basic) from continuing operations	**(3.90)**	(1.40)

Notes to the Financial Statements

continued

9 Property, plant and equipment

	2015 £'000s	2014 £'000s
Development and production assets		
Cost		
At start of the year	**15,566**	2,947
Exchange adjustments	**(957)**	(548)
Additions	**234**	1,612
Reversal of capitalised interest	**(546)**	–
Transfers	**–**	11,555
At end of the year	**14,297**	15,566
Depreciation		
At start of the year	**2,454**	1,559
Impairment of assets	**6,347**	712
Charge for the year	**105**	183
At end of the year	**8,906**	2,454
Net book amount	**5,391**	13,112
Fixtures, fittings and office equipment		
Cost		
At start of the year	**273**	231
Exchange adjustments	**(10)**	(4)
Additions	**120**	46
Disposal	**(6)**	–
At end of the year	**377**	273
Depreciation		
At start of the year	**185**	143
Exchange adjustments	**(4)**	–
Charge for the year	**31**	42
Disposals	**(2)**	–
At end of the year	**210**	185
Net book amount	**167**	88
Total net book amount	**5,558**	13,200

In 2015, the impairment costs related to Casa Tonetto due to latest revisions on the remaining life of production from the field. The Group has reviewed the carrying value of the Casa Tonetto licence in view of the reservoir performance being below expectations upon commencement of production at the beginning of 2016 and recognised an impairment charge of £6.3 million as at 31 December 2015. In 2014, San Lorenzo was impaired due to revisions on the remaining life of production from the field (see note 1 for further details).

	2015 £'000s	2014 £'000s
Italy	**6,347**	712
Total	**6,347**	712

10 Land and Buildings

	2015 £'000s	2014 £'000s
Cost		
At start of year	**1,433**	–
Additions	**–**	1,433
Exchange adjustments	**(106)**	–
At end of year	**1,327**	1,433
Depreciation		
At start of year	**–**	–
Additions	**–**	–
At end of year	**–**	–
Net book amount	**1,327**	1,433

11 Intangibles

	Goodwill £'000s	Software £'000s	Exploration & Evaluation Assets £'000s	2015 £'000s
Cost				
At 1 January 2015	2,099	91	11,758	**13,948**
Additions	–	15	6,545	**6,560**
Transfers	–	–	–	**–**
Exchange adjustments	(107)	–	(203)	**(310)**
At 31 December 2015	1,992	106	18,100	**20,198**
Impairment				
At start of the year	–	–	5,060	**5,060**
Charge for the year	–	6	5,568	**5,574**
At end of the year	–	6	10,628	**10,634**
Net book amount at 31 December 2015	1,992	100	7,472	**9,564**

	Goodwill £'000s	Software £'000s	Exploration & Evaluation Assets £'000s	2014 £'000s
Cost				
At 1 January 2014	2,167	–	22,393	24,560
Additions	–	91	998	1,089
Transfers	–	–	(11,555)	(11,555)
Exchange adjustments	(68)	–	(78)	(146)
At 31 December 2014	2,099	91	11,758	13,948
Impairment				
At start of period	–	–	5,060	5,060
Exchange adjustments	–	–	–	–
Charge for period	–	–	–	–
At end of period	–	–	5,060	5,060
Net book amount at 31 December 2014	2,099	91	6,698	8,888

Group

Goodwill arises on acquisitions accounted for at fair value and consists largely of the synergies expected from combining acquired operations with those of the Group. In accordance with IFRS, goodwill is assessed annually for impairment. The carrying value of the goodwill is linked to the exploration and evaluation assets, on the basis that there is significant headroom (see below) no impairment is considered necessary. The impairment charge is included within exploration costs in the consolidated statement of comprehensive income.

The Company has no goodwill.

Notes to the Financial Statements

continued

11 Intangibles continued

Exploration and Evaluation Assets

Intangible assets are allocated to the cash generating unit ("CGU") identified according to business segment.

In assessing whether impairment indications exist in relation to intangible assets, the Directors have regard to the results of the Group's exploration and evaluation programme and to the most recent review and valuation of the Group's assets prepared independently by its geoscience advisers in competent persons' reports ("CPRs").

A CPR for covering most of Group's assets was released in April 2015. A CPR for Santa Maria Goretti was performed in July 2014. A Badile CPR was executed in October 2013 which gave a Best estimate NPV10 of €486 million, an increase of 60% on the previous CPR. During the year the Group wrote off £5.8 million as exploration costs primarily relating to the Carita licence as commercial quantities of hydrocarbons were not discovered at the conclusion of drilling. After taking account of the CPR and current work programme the Directors do not therefore consider that any impairment indications exist in relation to the remaining Italian CGU.

The valuation calculations included in the CPRs are entirely dependent on the availability of finance to fund capital expenditure on the development of exploration and evaluation assets. Should finance not be available the carrying amounts of the Group's exploration and evaluation assets are likely to be impaired to their market value in a distressed sale.

The methodology to arrive at the values attributed to the Group's assets in the CPRs was as follows:

- Net present value ("NPV") calculations were prepared for proven contingent resources, including all the Italian licences.

Estimates of the NPV of any project are always subject to many factors and wide margins of error. NPV calculations have been prepared over the period of the expected production profile and duration of sales contracts. The principal assumptions on which the NPV calculations are based are as follows:

- The 2015 Italian CPR was produced with five different pricing scenarios with base gas prices of between 23 euro cents and 31 euro cents for 2015. Gas prices, in all cases, were then escalated at 2% per annum from 2016. The oil price scenarios were priced from 38.64 euros per barrel to 57.96 euros per barrel with future years being escalated according to a Brent futures curve until 2022 and from then on at 2% per annum.
- A discount rate of 10% was used which the Directors believe to be standard industry practice and approximate to the Group's weighted average cost of capital.
- The NPV calculations are most sensitive to the assumptions for production and operating expenditure.

During the year, the Group had capitalised interest costs of approximately £525,000 (2014: £799,000); primarily to Carita licence but these were subsequently written off on impairment of the Carita licence.

12 Investment in subsidiaries

	2015 £'000s Company	2014 £'000s Company
At 1 January	**25,735**	24,252
Net advances to Group companies	**9,715**	1,483
At 31 December	**35,450**	25,735

The subsidiary companies of the Company at 31 December 2015, which are all 100% owned by the Company are:

Name	**Incorporated**	**Principal Activity**
Sound Oil International Limited	British Virgin Isles	Holding Company
Sound Oil Asia Limited	British Virgin Isles	Holding Company
Mitra Energia Citarum Limited*	Mauritius	Exploration Company
Sound Energy Holdings Italy Limited	UK	Holding Company
Apennine Energy SpA	Italy	Exploration, Development and Production Company
Sound Energy Morocco SARL	Morocco	Exploration Company

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

12 Investment in subsidiaries continued

The investment in Apennine Energy SpA is held indirectly through Sound Energy Holdings Italy Limited. Apennine Oil and Gas SPA was merged with Apennine Energy SPA during 2015.

Sound Energy Holdings Italy Limited (formerly Consul Oil and Gas Limited) is directly funded through non-current, non-interest bearing loans from Sound Energy plc.

Given that Sound Energy has no intention to call the loans in the foreseeable future, the loans are treated as "permanent as equity". As a result, Sound Energy has classified these loans as investments which represent the carrying value of the investment in Sound Energy International and the Italian company.

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 and operation	Number of wholly owned subsidiaries 2015	2014
Gas exploration and production	Italy	**1**	2
Holding companies	UK	**2**	2
Holding companies	British Virgin Isles	**2**	2
Holding companies	Mauritius	**1**	1
Gas exploration	Morocco	**1**	–

13 Other Receivables

Group

	2015 £'000s	2014 £'000s
Italian VAT	**2,124**	1,975
UK VAT	**140**	24
Other receivables	**242**	174
	2,506	2,173

Currency Analysis

	2015 £'000s	2014 £'000s
Euro	**2,262**	2,117
GBP sterling	**192**	56
Moroccan dirham	**52**	–
	2,506	2,173

Company

	2015 £'000s	2014 £'000s
UK VAT	**140**	24
Other receivables	**31**	20
	171	44

Currency Analysis

	2015 £'000s	2014 £'000s
GBP sterling	**171**	44
Total	**171**	44

Notes to the Financial Statements

continued

14 Cash and Cash Equivalents

Group

	2015 £'000s	2014 £'000s
Cash at bank and in hand	3,157	719
Cash equivalents:		
Short term deposits	12,263	11,889
Carrying amount 31 December	15,240	12,608
Being:		
In US dollar	1	1
In euros	7,406	11,205
In sterling	5,957	1,402
In Moroccan dirham	1,876	–
	15,240	12,608

Company

	2015 £'000s	2014 £'000s
Cash at bank and in hand	25	25
Cash equivalents:		
Short term deposits	12,263	11,889
Carrying amount 31 December	12,288	11,914
Being		
In US dollar	1	1
In euros	6,330	10,511
In sterling	5,957	1,402
Total	12,288	11,914

15 Trade & Other Payables

Group

	2015 £'000s	2014 £'000s
Trade payable	1,257	1,016
Payroll taxes and social security	160	88
Accruals	680	1,090
	2,097	2,194

Currency Analysis

	2015 £'000s	2014 £'000s
Euro	786	747
Sterling	1,302	1,447
Moroccan dirham	9	–
Total	2,097	2,194

15 Trade & Other Payables continued

Company

	2015 £'000s	2014 £'000s
Trade payable	**683**	502
Payroll taxes and social security	**29**	34
Accruals	**501**	912
Total	**1,213**	1,448

Currency Analysis

	2015 £'000s	2014 £'000s
Sterling	**1,213**	1,448
Total	**1,213**	1,448

Loans and Borrowings

Group

	2015 £'000s	2014 £'000s
Current liabilities		
Other loans	**5,751**	131
Non-current liabilities		
Other loans	**7,157**	13,437

Loans and Borrowings

Company

	2015 £'000s	2014 £'000s
Current liabilities		
Other loans	**–**	–
Non-current liabilities		
Other loans	**7,157**	6,627

The non-current loans are repayable in July 2017.

16 Deferred tax liabilities

	2015 £'000s	2014 £'000s
1 January	**2,099**	2,165
Unreleased foreign exchange (decrease)/increase	**(107)**	(66)
31 December	**1,992**	2,099

Deferred tax assets have not been recognised in respect of tax losses available due to the uncertainty of utilisation of those assets.

Notes to the Financial Statements

continued

17 Provisions

	Abandonment £'000s	Total £'000s
At 1 January 2015	1,164	1,164
Discount unwind	32	32
Additions in 2015	151	151
Released due to change in estimates	(124)	(124)
Unrealised forex decrease	(85)	(85)
At 31 December 2015	**1,138**	**1,138**

The provision of £1,138,000 relates to the following licenses:

	£'000s
Rapagnano	115
Montemarciano	214
Marciano	262
Carita	547

Decommissioning is likely to occur within one year for Marciano and between 2017 and 2025 for the other licences. Expected abandonment costs are capitalised and depreciated on a unit of production basis once gas sales commence.

There are no provisions in the parent company.

18 Capital and Reserves

Group

	2015 Number of shares	£'000s	2014 Number of shares	£'000s
Ordinary shares – 1p	**503,898,868**	**5,039**	415,300,815	4,153

Company

	2015 Number of shares	£'000s	2014 Number of shares	£'000s
Ordinary shares – 1p	**503,898,868**	**5,039**	415,300,815	4,153

Share option schemes

Options to subscribe for the Company's shares were granted to certain executives in 2014 and 2015 (note 19).

18 Capital and Reserves continued

Share Issues

On 22 January 2015, Sound Energy announced the issue of 3,906,250 shares in relation to payment of introductory fees relating to the reserve based lending facility provided by Greenbury SA in 2014.

On 28 April 2015, Sound Energy announced an equity raise arranged by Continental Investment Partners for the issue of 63,157,895 ordinary shares and 63,157,895 warrants. The issue of these shares and warrants was completed in two tranches and was completed by July 2015.

On 24 June 2015, Sound Energy was pleased to announce the results of its Open Offer which resulted in 15,599,752 new ordinary shares being issued along with 15,599,752 warrants.

On 17 July 2015, the Group announced that 1,499,999 new ordinary shares had been issued following the exercise of share options available to senior management.

On 21 July 2015, Sound Energy announced the issue of 2,196,153 new ordinary shares following the exercise of 2014 warrants at 10.4p per share.

On 29 July 2015, Sound Energy announced the issue of 2,015,807 new ordinary shares following the exercise of 2014 warrants at 10.4p per share.

On 13 August 2015, Sound Energy announced the issue of 10,600 new ordinary shares following the exercise of warrants issued in July 2015 at 24p per share.

On 17 August 2015, Sound Energy announced a block admission covering up to 100,737,454 warrants.

At the end of December 2015, the Company had 503,898,868 ordinary shares in issue.

19 Related Party Disclosures

The financial statements include the financial statements of Sound Energy plc (the parent) and the subsidiaries listed in the following table:

Name	Country of Incorporation	2015	2014
Sound Oil International Limited	British Virgin Isles	**100%**	100%
Sound Oil Asia Limited	British Virgin Isles	**100%**	100%
Sound Energy Holdings Italy Limited (formerly Consul Oil and Gas Limited)	UK	**100%**	100%
Apennine Energy SPA	Italy	**100%**	100%
Apennine Oil and Gas SPA	Italy	**N/A**	100%
Mitra Energia Citarum Limited	Mauritius	**100%**	100%
Sound Oil Morocco Sarl	Morocco	**100%**	–

Apennine Oil and Gas SPA was merged with Apennine Energy SPA in 2015 in order to streamline the business and reduce overhead costs.

Terms and conditions of transactions with related parties

There were no sales or purchases to or from related parties (2014: none). There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: none) and is not owed or owes amounts to/from any related parties.

Notes to the Financial Statements

continued

19 Related Party Disclosures continued

Key Management

As at 31 December 2015, there were three key management personnel other than Directors of the Company (2014: one). Details of the Directors' remuneration are set out in the Report of Directors' Remuneration.

	2015 £'000s	2014 £'000s
Salaries and employee benefits	**1,317**	1,219
Share based payments	**315**	329

Directors' Interest in employee share options

At 31 December 2015, the Chairman had no interest in share options in the Group. No other Non-executive Directors held any options. Andrew Hockey, whose appointment was terminated on 28 September 2015, continued to hold 400,000 options.

	Expiry Date	Exercise price Pence	**2015 Number**	2014 Number
2011	2016	49.5p	**100,000**	100,000
2012	2016	16.5p	**300,000**	300,000

Share options held by the executive members of the Board of Directors at 31 December 2015 have the following expiry dates and exercise prices:

	Expiry Date	Exercise price Pence	**2015 Number**	2014 Number
2011	2016	21.75p	**330,000**	330,000
2012	2018	25.0p	**450,000**	900,000
2012	2016	16.5p	**1,000,000**	1,000,000
2012	2017	16.5p	**–**	330,000
2013	2018	12.15p	**–**	1,333,333
2014	2017	6.50p	**–**	1,499,999
2014	2019	8.0p	**3,350,000**	5,800,000
2015	2020	14.25p	**1,250,000**	–

Key management's interest in employee share options

	Expiry Date	Exercise price Pence	**2015 Number**	2014 Number
2012	2018	25.0p	**450,000**	–
2012	2017	16.5p	**330,000**	–
2013	2018	12.15p	**2,622,221**	1,288,888
2014	2017	6.50p	**166,666**	166,666
2014	2019	8.0p	**4,500,000**	2,050,000
2015	2020	14.25p	**1,250,000**	–
2015	2020	14.20p	**1,250,000**	–
2015	2020	14.07p	**1,250,000**	–

20 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, receivables, cash and short term deposits. The Group has no long term borrowings. 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 13 (other debtors), note 14 (cash and cash equivalents) and note 15 (trade and other payables).

20 Financial Instruments risk management objectives and policies continued

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

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.

Interest rate risk table

	Increase/ (decrease) %	Effect on profit before tax £'000s
2015		
Sterling	**10**	**5**
US dollar	**10**	**–**
Euro	**10**	**–**
Sterling	**(10)**	**(5)**
US dollar	**(10)**	**–**
Euro	**(10)**	**–**
2014		
Sterling	10	1
US dollar	10	–
Euro	10	–
Sterling	(10)	(1)
US dollar	(10)	–
Euro	(10)	–

Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order 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.

In order to ensure an appropriate return for shareholder capital invested in the Group, management thoroughly evaluates all material projects and potential acquisitions and has them approved by the Board of Directors where applicable.

The Group monitors capital on a short and medium term view. During 2015 the Group's strategy was to fund capital expenditure through equity. The table below illustrates the Group's capital structure.

	2015 £'000s	2014 £'000s
Borrowings	**(12,908)**	(13,568)
Cash and cash equivalents	**15,240**	12,608
Net (debt)/cash	**2,332**	(960)
Total capital excluding reserves:		
Equity share capital	**5,039**	4,153
Equity share premium	**81,276**	67,145
Shareholders' equity	**16,159**	19,434

Notes to the Financial Statements

continued

21 Foreign Currency Risk

As a result of the majority of the Group's operations being denominated in euros, the Group's balance sheet can be impacted by movements in these exchange rates against sterling. Such movements will result in book gains or losses which are unrealised and will be offset if the currencies involved move in the opposite direction.

The sterling cost of the assets being acquired with the euro or Moroccan deposits rises or falls pro rata to the currency movements, so the purchasing power of the respective currency remains the same.

As the Group also holds some Moroccan dirham (MAD) denominated assets at the end of the year, the following table demonstrates the sensitivity to a reasonably possible change in the MAD or euro 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. The Group no longer holds significant US dollar assets.

	Increase/ (decrease) in euro rate %	Effect on profit or loss before tax £'000s	Increase/ (decrease) in MAD rate %	Effect on profit or loss before tax £'000s
2015	**5**	**(535)**	**5**	**(10)**
	(5)	**563**	**(5)**	**11**
2014	5	(708)	–	–
	(5)	745	–	–

Credit risk

The Group currently has sales to one customer. The maximum credit exposure at the reporting date of each category of financial assets above 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. Payment terms are limited to one month's gas sales at any one time and therefore the credit risk is considered negligible.

Liquidity Risk

The Group and Company have significant liquid assets and are not materially exposed to liquidity risk. For further details on the maturity of financial liabilities see note 15.

22 Financial Instruments

	Floating Rate £'000s	Fixed rate £'000s	Interest-free £'000s	Total £'000s	Weighted average rate %
2015					
Cash and short term deposits					
Sterling	**5,932**	**–**	**25**	**5,957**	**0.57**
Euro	**7,406**	**–**	**–**	**7,406**	**0.06**
US dollar	**1**	**–**	**–**	**1**	**0.00**
Moroccan dirham	**–**	**1,876**	**–**	**1,876**	**3.75**
	13,339	**1,876**	**25**	**15,240**	
2014					
Cash and short term deposits					
Sterling	39		1,363	1,402	0.00
Euro	696		10,511	11,205	0.00
US dollar	1		–	1	0.25
	736		11,874	12,608	–

Euro cash balances have been converted at the exchange rate of €1.3572:£1.00 (2014: €1.2565:£1.00).

Moroccan dirham cash balances have been converted at the exchange rate of MAD14.6608:£1.00 (2014: Not applicable).

US dollar cash balances have been converted at the exchange rate of US$1.4803:£1.00 (2014: USD$1.5649:£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.

23 Share Based Payments

The Group has a Long Term Incentive Plan under which share options have been granted to the Executive team.

The expense recognised for employee services in the Consolidated Income Statement is as follows:

Group

	2015 £'000s	2014 £'000s
Expense arising from equity-settled share options	**315**	329

Company

	2015 £'000s	2014 £'000s
Expense arising from equity-settled share options	**315**	329

The fair value of equity-settled share options granted is estimated at the date of grant using a Black–Scholes model, taking into account the terms and conditions upon which the options were granted.

	Granted	**Period (years)**	**Price (pence)**
2015	**4,000,000**	**5**	**14.25**
	1,250,000	**5**	**14.20**
	1,250,000	**5**	**14.07**
Total	**6,500,000**		
2014 total	15,350,000	3–5	6.06–6.50

The expected life of the options is based on the maximum option period and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

	2015 £'000s	2014 £'000s
Share options outstanding at the start of the year	**15,698,885**	6,182,220
Share options granted	**6,500,000**	15,350,000
Share options expired	**(350,000)**	(5,833,335)
Share options exercised	**(1,499,999)**	–
Share options outstanding at the end of the year	**20,348,886**	15,698,885

If all equity share options were exercisable immediately, new ordinary shares equal to approximately 4.0% would be created.

24 Commitment and guarantees

At 31 December 2015, the Group had the following commitments other than for decommissioning (note 17) and a capital commitment to drill at least one appraisal well on the Tendrara licence in Morocco. Sound Energy has provided a $2.75 million bond to the Moroccan Oil Ministry in order to guarantee this commitment will be met. We expect the well to drill in Q2 2016 thereby satisfying this requirement.

Notes to the Financial Statements

continued

25 Debt and Warrant Instruments

On 28 July 2014, the Company issued £8 million of debt to Continental Investment Partners (£7 million) and Simon Davis (£1 million) combined with equity and warrants with a three year term with an annual coupons of 8% and 10% respectively. Each warrant is convertible into equity at a price of 10.4p for that three year term. The loan notes therefore contain two components: liability and equity elements. The equity is presented in equity under the heading ''warrant reserve''.

	2015 £'000s	2014 £'000s
Proceeds of issue	**–**	6,605
Liability at date of issue	**–**	(6,236)
Equity component	**–**	369
Liability component at 1 January 2015/date of issue	**6,588**	6,236
Interest charge calculated at effective interest rate	**1,190**	491
Interest paid	**(660)**	(139)
Liability component at 31 December	**7,118**	6,588

26 Post Balance Sheet Events

On 14 January 2016, the Company entered into an agreement with Maghreb Petroleum Exploration S.A (''MPE'') for the purchase of three onshore gas permits located in Morocco (together the ''Sidi Moktar Licences''). In consideration for the acquisition, the Company issued MPE 21,764,706 ordinary shares and granted MPE a 1.6% net profit interest in any future cash flows from the Kechoula discovery.

On 8 February 2016, the Company announced that it had signed a binding agreement with Oil & Gas Investment Fund S.A.S (''OGIF'') whereby OGIF granted the Company an option to acquire a 55% interest in the Meridja permit, onshore Morocco. As consideration for the option, the Company was required to pay OGIF US$100,000 as well as funding commitment of up to US$200,000 and on exercise of option pay a further US$150,000 to OGIF and a carry of costs up to the end of a first Meridja exploration well.

On 10 March 2016, the Company announced a further 50% acquisition of an operated interest in three onshore gas licences in Morocco (together the ''Sidi Moktar Licences'') from PetroMaroc Corporation Plc (''PetroMaroc''). The Company also entered into a transaction with Culebra Petroleum Limited for Culebra to acquire a 50% interest in Sidi Moktar. The effect of the transaction was that the Company has an effective 25% working interest in Sidi Moktar with a carry to US$18 million and an additional US$6 million receivable by the Company.

On 21 April 2016 the Company announced the commencement of drilling of the first well at Tendrara, onshore Morocco.

On 10 May 2016, the Company announced the signing of heads of terms with Greenberry plc for Greenberry and other investors to subscribe for bonds to be issued by the Company to provide additional funding for the Company's growth strategy and simplify the Company's corporate debt. The bonds are expected to be five year non-amortising bonds with aggregate par value of up to €28.8 million and a 5% coupon. The bonds will be issued at a 32% discount to par and will attract a total cash fee of €1.1 million. The Company also intends to issue Greenberry 70,312,500 warrants to subscribe for new shares in the Company at an exercise price of 30p per share and with an exercise period of five years from the date of issue.

On 11 May 2016, the Company announced the receipt of the final Badile Drilling Approval.

On 16 May 2016, the Company provided an update on Nervesa and noted that there had been reduction in the resevoir pressure and that it was planning for a remedial re-perforation and evaluating the possibility of a sidetrack well.

List of Licences and Interests

Licence	Status[1]	Key Project or Prospect Name	Key Project or Prospect Type	WI (%)	Area (km²)	Operator
Rapagnano	Concession	Rapagnano	Gas Production	100	8.5	Apennine Energy
San Lorenzo	Concession	Casa Tiberi	Gas Production	100	4.9	Apennine Energy
Fonte San Damiano	Concession	Marciano	Awaiting Abandonment	100	23.7	Apennine Energy
Carità[2]	App Conc.	Casa Tonetto	Gas Discovery	100	4.2	Apennine Energy
Torrente Alvo[2]	Permit	Strombone	Oil Discovery	100	84.3	Apennine Energy
Carità[2]	Permit	Nervesa	Appraisal	100	529.8	Apennine Energy
Badile	Permit	Badile	Prospect	100	154.5	Apennine Energy
S.Maria Goretti	Permit	T.Tesino	Appraisal	100	101.3	Apennine Energy
Villa Gigli[3]	Permit	Musone	Oil Discovery	100	100.9	Apennine Energy
Monte Negro[2]	Permit	–	–	100	287.7	Apennine Energy
Montemarciano	Permit	–	–	75	49.4	Apennine Energy
D-R74-AP	Permit	Laura	Gas Discovery	100	65.2	Apennine Energy
D503 BR-CS	Application	Dora/Dalla	Gas Discovery	100	138.1	Apennine Energy
Posta Del Giudice[3]	Application	–	–	100	113.6	Apennine Energy
Solfara Mare	Application	–	–	100	337	Apennine Energy
D148 DR-CS	Application	–	–	100	162.3	Apennine Energy
Costa Del Sole	Application	Manfria	Oil Discovery	100	41.5	Apennine Energy
Tardiano	Application	–	–	100	212.4	Apennine Energy
Torre del Ferro	Application	–	–	100	118.0	Apennine Energy
Tendrara	Permit	Tendrara	Prospect	27.5	14,500	Sound Energy Morocco
Meridja[4]	Reconnaissance	Meridja	Prospect	55	9,000	Sound Energy Morocco
Sidi Moktar	Permit	Sidi Moktar	Prospect	25	4,500	Sound Energy Morocco South

Notes:

1. A Concession allows hydrocarbon production and is valid for 20 years. An Application for a Concession can be made following a declaration of commercial discovery ratified by the Ministry of Economic Development. The Concession requires the approval of an Environmental Impact Assessment and becomes exclusive after publication in the Official Journal of the EU. A Permit is valid for six years and allows seismic and drilling operations. An Application for a permit can be made at any time it becomes exclusive to the applying company three months after publication in the Official Journal of the EU. All the applications listed here are exclusive to Apennine Energy. The conversion of an application to a full permit requires the approval of an Environmental Impact Assessment.
2. Carità, Monte Negro and Torrente Alvo Permit: 100% . SOU (50% Apennine Energy – 50% Apennine Oil and Gas; Apennine Oil and Gas merged with Apennine Energy during 2015).
3. Prior to the asset swap transaction announced by the Company on 28 February 2013, Compagnia Generale Idrocarburi SpA and Sound Energy each held a 50% equity position in four assets: two awarded licences (Villa Gigli and Colle Ginestre) and two outstanding applications (Posta del Guidice and Il Convento). Sound Energy increased its equity position to 100% in Villa Gigli and Posta Del Giudice in exchange for eliminating any equity interest in Il Convento and Colle Ginestre.
4. The Group has an option to acquire a 55% interest in the exploration permit.

Shareholder Information

Dealing Information

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Financial Calendar

Meetings

Annual General Meeting – 29 June 2016

Announcements

2016 Interim – 15 September 2016
2016 Preliminary – May 2017

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