



Annual Report and Accounts 2023

Capricorn Energy PLC

At a glance

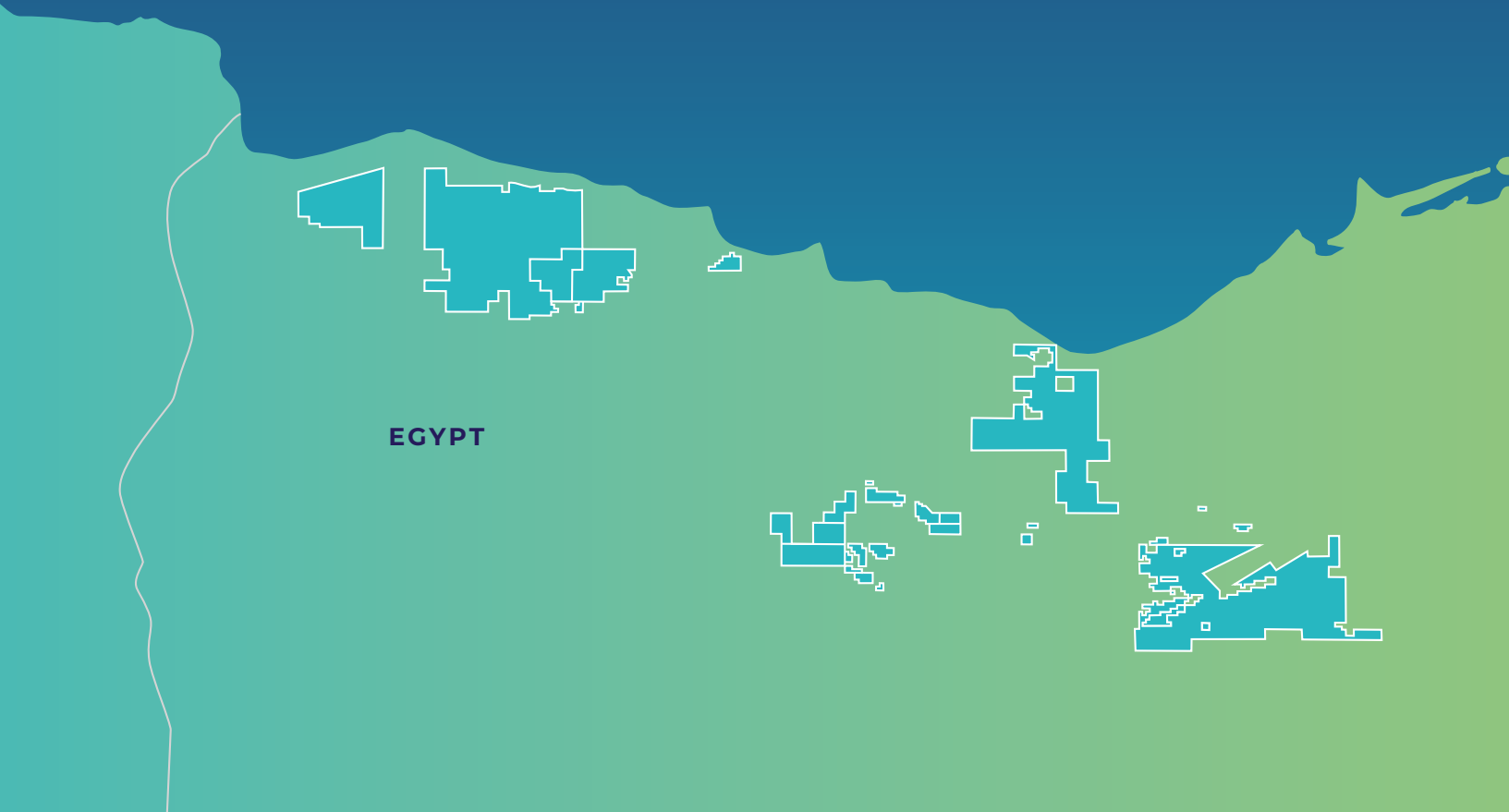
Capricorn is a cash flow-focused energy producer, with an attractive portfolio of onshore exploration, development and production assets in the Egyptian Western Desert and, subject to completion, a producing position in the UK North Sea.

WHO WE ARE

Capricorn Energy has been listed on the London Stock Exchange for more than 30 years and is an experienced oil and gas explorer, developer and producer that has operated in a variety of locations around the world.

WHERE WE OPERATE

Capricorn's main operations are in Egypt's Western Desert, where we hold a portfolio of production and development assets.



2023 Highlights

Net working interest oil and gas production averaged (boepd)

30,044

Egypt oil and gas sales revenue

\$200m

Year-end net Group cash

\$76m

Cash and cash equivalents of \$190m less debt drawn of \$114m

Returned to shareholders

~\$568m

Net zero target

2040

or earlier in Scope 1 and 2 equity emissions

*Unless otherwise stated, all dollar amounts (\$) refer to US dollars.

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CHAIR'S STATEMENT

Craig van der Laan
Chair



Looking back over the year since the new Board was appointed in February 2023, I am pleased to report that we have taken significant steps forward and brought about positive change in the business, strongly focused on and aligned with our shareholders' expectations.

In last year's Annual Report, I outlined five areas of strategic focus, namely: capital returns, cost savings across the business, scaling back and exiting non-core operations, maximising value from Egypt and driving cultural change across Capricorn. I am proud that we have tackled these areas head on and made decisive progress in all these areas. During 2023, we returned approximately \$568m in capital to shareholders; we delivered significant cost savings through a right sizing of the organisation; we either exited or reached the final stages of exiting all our non-core positions outside Egypt; and we instilled into the organisation a culture change focused on shareholder value and capital discipline. Our projected run rate for general and administrative (G&A) costs is now significantly lower than in 2022, and we continue to drive for opportunities to lower these costs even further.

While the progress and fundamental transformation delivered during the year is pleasing, we have not achieved all of our goals and continue to work in a steadfast manner to unlock the unrealised value in our business.

Our strategy looking ahead remains the same as we set out at the beginning of 2023 – to deliver shareholder returns by maximising value from our Egypt assets whilst managing costs and seeking to capture value from the Company's legacy positions in Senegal and the UK North Sea.

Egypt remains an attractive sector for oil and gas companies to operate, with a government that is open to constructive relationships with the industry. As a cash flow-focused, agile energy producer, we are committed to continuing to develop opportunities for value creation from our Egyptian assets, bringing to bear the extensive expertise of the new

“With a new Board that is fully aligned with shareholders and a major and critical transformation now behind us, we have a clear operational strategy, underpinned by a culture of capital discipline and cost control.”

management team, with rigorous capital and financial management focused on optimising returns to shareholders. In light of the Board's focus on strong cost control, the Company has made it clear that investment into our Egyptian assets will be reflective of the value and particularly the cash that those assets produce.

We will continue to deepen our relationships with our Partner in Egypt, Cheiron, who operates our joint venture interests and activities in the BADR Petroleum Company (Bapetco), with the aim of ensuring that together we achieve the most effective management of the asset. This alignment is enabling us to present a cohesive and achievable proposal in our regular discussions with the Egyptian Government to improve the terms and pricing of our jointly owned production sharing contract, better positioning us with regard to improving payments. We look forward to updating shareholders on any developments that come from these discussions in due course.

The new Board was appointed by shareholders to provide a clean slate from which to rebuild and enact change across Capricorn. With this in mind, we welcomed Randy Neely as Chief Executive Officer. Randy's extensive experience of operating in Egypt and running a low-cost organisation make him the ideal candidate to lead the Company. Randy has already made a significant contribution since joining in June 2023, identifying 30% in additional cost savings around the structure of the business. Reinforcing the Board's focus on Egypt, at the Company's Annual General Meeting (AGM) in June 2023, we announced that Hesham Mekawi, who joined the Board in February 2023, had been appointed as Non-Executive Deputy Chair. Hesham is an Egyptian national, resident in Cairo,

and long-time former Regional President of BP North Africa, and supports Randy in the development and implementation of strategies for key stakeholder engagement, advocacy and representation of the Board in Egypt. We were also delighted during the year to appoint a further Non-Executive Director, Patrice Merrin, who brings immense international experience to the Board.

The management team has also been strengthened with the appointment of Chief Financial Officer Eddie Ok and Chief Operating Officer Geoff Probert who joined the Company at the start of 2024. I am confident that we now have the depth of experience and talent in place to enable us to fully utilise the opportunities available from our assets, for the benefit of all of our shareholders.

Capricorn is at an exciting juncture in the Company's development. With a new Board that is fully aligned with shareholders and a major and critical transformation now behind us, we have a clear operational strategy, underpinned by a culture of capital discipline and cost control. Having successfully reset the business, Randy and the team can now fully focus on delivering reserves and production growth and reliable free cash flow generation from our Egypt portfolio. The Board and management are and will remain focused on exploring every opportunity to enhance shareholder value. Thank you to all shareholders for your support and faith in the new Board, we look forward to updating you on our progress in due course.

Craig van der Laan
Chair
28 March 2024

CEO'S REVIEW

Randy Neely
Chief Executive Officer



Upon my appointment at Capricorn, it was clear that the Company possessed a strong platform from which to build a profitable oil and gas business: a material production base in Egypt, a pool of highly skilled professional staff and a Board fully aligned with shareholders. By the time I arrived in June, the strategic direction was already evolving. My initial focus was to reinforce and execute the strategic changes initiated by the Board: to transform Capricorn, both organisationally and culturally, from an exploration-focused business into a leaner, cash flow and shareholder return-focused non-operated production and development business. Through significant effort from our committed staff, Capricorn is now well positioned to maximise the potential of the Egyptian production and development base and realise the potential value of other held assets.

A key highlight for the Company in 2023 was the return of ~\$568m to shareholders, with ~\$450m of capital distributed to shareholders in May, a further ~\$100m special dividend paid in October, and the start of a \$25m share buyback programme.

I am confident that my previous experience, and that of our newly appointed CFO and COO, will provide the know-how to guide the Company through the challenges and opportunities that Capricorn will face and attempt to capitalise on in 2024, and I am excited to have joined the business at this point in its journey.

Renewed strategy

Now that our near-term strategy goals in Egypt have been delivered, our medium-term Egypt strategy is to efficiently capitalise the business and ensure we generate a return on investment for our shareholders. To maximise value, we need to control costs, allocate capital commercially into the right projects, guide change at the licence level and expedite collection of receivables. The outlook around receivables has improved significantly with the payment of \$30m from the Egyptian Petroleum Corporation (EGPC) at the end of Q1 2024. The Company's expectation is that all Egypt accounts receivable, which have gone up from \$96m to \$169m, will be collected in full.

In order to focus capital and internal resources on the Egyptian portfolio, we made the decision to exit all our non-Egypt licences. In the UK North Sea, our remaining assets were the contingent payments due from Waldorf following the sale of production assets to them in 2021, alongside legacy exploration licences and tax pools from historic investments. At the end of 2023 we amended our contingent payment arrangement with Waldorf, resulting in accelerated cash receipts of \$48m in December, with a further \$24.5m to be paid over the next 12 months. This also resulted in the acquisition of a non-operated, cash flowing 25% working interest (WI) in the Columbus natural gas field in the UK Central North Sea, subject to completion.

In Q1 2024, the Company successfully exited its positions in Mexico and Suriname. In Senegal, Capricorn is entitled to a contingent payment of up to \$50m from Woodside Energy's Sangomar Field Development if first oil, as defined in the sale and purchase agreement, is achieved in the first half of 2024 and the average Brent oil price during the first six months of production exceeds the \$55/bbl or \$60/bbl thresholds. A positive milestone was reached in February with the arrival of the Floating Production Storage and Offloading (FPSO) facility offshore Senegal and Woodside's announcement to continue to target first production for mid-2024.

In 2023, Egypt experienced low levels of US dollar reserves, which led to an increase in receivables due across the industry. Throughout my 12 years working in the country, and looking further back, the Government of Egypt has always met its payment obligations. In order to effectively do business in Egypt, fostering and maintaining communications is crucial. To this end, we maintain a close dialogue with our JV partner and the EGPC, and our relationship continues to improve as we build on our cooperative and collaborative approach to managing the Egyptian business.

The trust and mutual respect fostered by these relationships and open lines of communication support our efforts to achieve an amended and extended

“We remain committed to the potential of our Egypt assets, and maintain the view that Egypt is a promising jurisdiction for oil and gas companies to do business.”



production sharing contract (PSC) portfolio to the benefit of all stakeholders. Improved terms would support investment, driving growth, which in turn increases the government's net take and the revenue share available to the Company. We are proud of our investment in the social responsibility investment programme in the Matrouh Governorate, in cooperation with the EGPC and the Orman Association, supported by the Egyptian Ministry.

We have continued to strengthen the current executive team, welcoming our new Chief Operating Officer Geoff Probert and Chief Financial Officer Edward Ok in the first quarter of 2024. These appointments bring deep industry experience and strong relationships in Egypt, coupled with strategic, financial and operational leadership to drive the delivery of profitable growth as the business evolves.

Focused on ongoing returns

Overhead cost reductions were a key focus for the Board and were already well progressed by the time I joined. Since then, we delivered a further 30% in cost savings, principally around the core structure of the business. In 2023, we reduced our UK headcount by 80%, giving us a total staff level of less than 50 people based in the UK and Egypt, which is the right size for our current business needs. These cost saving initiatives have led to a projected 80% reduction in G&A from 2022 to 2024. WI Egypt oil and gas production in 2023 was 30,044 boepd, comprising 47% liquids, which generated revenues from Egypt production of \$200m at an average realised oil price of \$81.2/bbl and a fixed gas price of \$2.95/mmscf. Our average total production costs were \$5.4/boe. Net cash generated from Egypt oil and gas production was \$32m, with overall Group net cash of \$76m, comprising of \$190m cash and \$114m debt.

As noted earlier, in 2023 we acted on the shareholder return commitment set out in our strategic review, with ~\$450m of capital returned to shareholders in May and a further ~\$100m special dividend paid in October. Additionally, during the year we started a \$25m share buyback programme which, due to low trading volumes, will be completed in 2024. Egypt trade receivables at 31 December 2023 have increased to \$169m (2022: \$96m). Group capital expenditure on oil and gas assets stood at \$140m, including general exploration costs, the operating loss was \$87m and the loss after tax was \$144m. Included in the Company's reported operating loss is an impairment charge of \$44m taken against the carrying value of the Egypt producing assets \$29m and the elimination of goodwill \$15m recorded on the original acquisition.

“I would like to take the opportunity to thank all our staff for pulling together and remaining focused throughout an incredibly demanding period of change in 2023.”

Transformed priorities – from exploration to production optimisation

The WI production in 2023 across the four main concession areas of Obaiyed (Capricorn 50% WI), Badr El Din (BED) (Capricorn 50% WI), North East Abu Gharadig (NEAG) (Capricorn 26% WI) and Alam El Shawish West (AESW) (Capricorn 20% WI) was below the low end of the original 32-36,000 boepd guidance. This was largely impacted by the timing of the delivery of key projects at Teen and in the BED area, along with lower than expected contributions from new wells. In order to confirm our understanding of the asset base, we commissioned GLJ Ltd. (GLJ) to prepare a reserves report on our assets.

Drilling activity at the end of 2023 was focused on the Abu Roash reservoir targets in the BED concession, where continued step-out and delineation wells have seen positive results. In both the BED15 and BEDC6 fields we saw encouraging reservoir net pay outcomes, also extending the limit of the fields. Incremental step-out drilling on these fields has been an area of success for Capricorn since acquisition.

A number of facilities projects were completed towards the end of 2023 at BED, Teen and Karam. These projects focused on optimising gas production with compression and low-pressure production optimisation, with production impact due to be assessed in Q1 2024; and no major projects planned in 2024.

Capricorn is in the process of transferring operatorship, however retains participation in three exploration concessions in the Western Desert, and we are working with our Partner to negotiate extensions to these concessions with EGPC, allowing a partial deferment of some of this exploration activity into at least 2025.

Importantly, there are a number of unconventional oil and gas plays present in our jointly held concessions. Unconventional oil and gas, both tight gas and shale oil, are an unexploited opportunity in Capricorn's Western Desert concessions which offer exciting resource potential and which the Company is working with its Partner to de-risk technically and commercially. The key reservoir, Abu Roash F source rock, is present across our licences, and neighbouring operators are currently working to de-risk it via drilling and stimulation programmes. The recovery rates for unconventional reservoirs are typically much lower than conventional opportunities, however, the potential scale of the opportunity is still significant and will factor into our amended and extended PSC portfolio negotiations.

Outlook

Looking ahead to 2024, we continue to focus on maximising shareholder value from Egypt against a backdrop of returning optimism following the announcement of significant capital injections from the UAE investment deal on the Egyptian north coast and the International Monetary Fund (IMF), as well as proposed financial support packages from the European Union (EU) and World Bank. We also continue to focus on the potential of our Egypt assets and I remain confident that we will progress our receivables position and move towards a renegotiation of the PSCs. We are working with our Partner in Egypt to ensure the appropriate scale of rig fleet is deployed to enable effective exploitation of the asset base. At this time, drilling activity in Egypt is expected to be lower in 2024 to better align capital activity to accessible funds generated in country. We are also turning our attention to growing a non-operated production base in the UK North Sea to maximise shareholder value, as demonstrated by the Columbus acquisition in December 2023. We remain committed to returning excess capital to shareholders with a planned special dividend payment of \$50m in Q2 2024, accompanied by a share consolidation, subject to shareholder approval at the AGM.

I would like to take the opportunity to thank all our staff for pulling together and remaining focused throughout an incredibly demanding period of change in 2023. By working to maximise the potential of our assets, focusing on returns, and deepening our relationships with our Partner and the Egyptian Government, I am confident that our revitalised team will ensure that Capricorn successfully advances in 2024 and beyond.

Randy Neely
Chief Executive
28 March 2024

OUR BUSINESS MODEL AND STRATEGY

Capricorn Energy is an Egypt-focused, agile energy company that is committed to offering consistent capital returns and remaining committed to our net zero targets.

OUR BUSINESS MODEL

What makes us unique	Asset-focused	Technical skills and experience	Motivated and engaged Board
	Partner and government relationships	Highly collaborative culture	Focused on position for ongoing returns

Investment proposition	Maintain strong balance sheet	Egypt fiscal recovery	Enhancing portfolio value
	<p>Cash realisations from operations must exceed capital investment</p> <p>Investments prioritised, based on returns</p>	<p>Establishing Egypt as a business that provides strong returns to shareholders</p> <p>Working collaboratively with Partner to achieve production optimisation</p> <p>Amended and improved concession terms</p>	<p>Improving our industry position and investment appeal</p> <p>Unlocking potential in contingent resources and embedded value in UK North Sea</p>

What we do	<p>Transformed priorities: from exploration focus to production optimisation and cash flow focus</p>	<p>In 2023, we shifted the core focus of the Capricorn technical team from exploration to development, production and exploitation to maximise the value of the Egyptian asset. To support this, we transferred operatorship of the exploration blocks to our Partner. Capricorn's limited staff contingent is now assisting with the planning and execution of production and development activities, as well as contract renewal negotiations. We are also turning our attention to growing a non-operated production base in the UK North Sea to maximise shareholder value.</p>
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HOW WE CREATE VALUE

<p>How we create value for our stakeholders</p> <p>We are committed to making a positive contribution by delivering tangible benefits to our stakeholders.</p>	<p>Shareholders</p> <p>~\$568m</p> <p>Special dividend payments</p>
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OUR STRATEGY

Our focus

We have identified three strategic focus areas for the short and long term.



Driving culture change

Focused on shareholder returns

Cost consciousness, matching organisation to priorities and scale

Collaboration and transparency

[Read how we measure progress and see our KPIs on pages 12 to 17](#)



Production optimisation

Exploitation of production base

Improvements to drilling location selections

Collaboration on project execution and decarbonisation initiatives



Maximising potential of assets

Improved PSC terms to incentivise investment

Long-term plan to grow value

Create shareholder value in the UK North Sea

Our approach

Our approach is underpinned by our commitment to working responsibly. We aim to deliver value in a safe, secure and environmentally responsible manner for all our stakeholders.



Responsible governance

[Read more on page 58](#)



Behaving responsibly to the environment

[Read more on page 18](#)



Behaving responsibly to people

[Read more on page 32](#)



Behaving responsibly to society

[Read more on page 36](#)

Investors

\$200m

Oil and gas sales revenue

Governments and regulators

\$34.3m

Payments to governments

Local communities

\$0.6m

Social investment

Business context

We believe that current higher-than-average oil and gas prices provide a constructive backdrop for a responsible upstream-focused company to continue return-focused investment in the sector to grow shareholder value and returns. Egypt is a country with a growing population and demand for energy. It remains supportive of the development of its oil and gas resources in partnership with international companies. Our long-term approach should deliver a strong outcome, despite short-term macro-driven headwinds.

Volatility easing but geopolitics continuing to impact price

The geopolitical events of 2022 and subsequent surge in oil and particularly international gas prices began to ease through 2023. This was despite oil and gas demand reaching record levels through the year. In comparison to the volatility of the prior year, the oil price during 2023 remained relatively range-bound, averaging around \$82/bbl, still 15% above the 10-year average price but almost 20% lower than the 2022 average. Russian crude oil remained under sanction by North American and European buyers; however, Russian volumes, trading at material discount, found buyers in new markets in Asia despite higher transportation costs. Into 2024, global demand and supply remain relatively balanced as OPEC production cuts are mitigated by growing non-OPEC supply from Norway, Canada and Guyana. However, there is arguably a geopolitical price premium based on increasing Middle East tensions following the initial Hamas attack on Israel and subsequent military actions in Gaza. Although this has no direct impact on flows of oil, there is the risk of escalation and widening of the conflict underlined by the attacks on merchant shipping in the Red Sea by the Yemen-based Houthi group, with some vessels now rerouting around the Cape of Good Hope. The US remains the largest producer of oil as onshore production and the Gulf of Mexico are expected to continue growing through 2023 and into 2024; this is despite the US rig count remaining 40% below the recent 2019 peak of around 800 rigs. We anticipate oil prices should remain robust in the medium term as demand continues to build year-on-year and investment is constrained due to access to capital and focus on shareholder returns.

Gas price environment expected to be volatile

Major disruptions to global gas flows remain the longer and potentially permanent legacy of the Russia-Ukraine conflict. Russian gas now accounts for just 12% of EU supply, down from around

40% prior to the conflict. However, this has increased reliance on higher-priced LNG imports, where buyers compete globally. This is largely why the European/UK gas price at \$8-9/mcf remains 50% above the pre-conflict 10-year average gas price. This 'higher for longer' gas price environment in Europe has eroded industrial activity, with demand down around 20% year on year, as industrial players either reduce activity or move production to locations including North America, where the gas price remains below \$3/mcf.

The period of sharply rising gas prices has incentivised the development of increased US LNG export capacity. Planned US and Qatar LNG export expansions are expected online through 2024/25. However, recent high gas prices could slow the near-term switch from lower priced but higher emissions coal to gas.

We believe that the demand for oil and gas should remain robust in the medium term in line with EIA, IEA and OPEC forecasts, and that emissions advantaged production should be prioritised.

Egypt – supportive location for upstream development

Egypt has a population of more than 100 million with a growing demand for energy. Currently, 100% of Capricorn's product is used within the domestic market and Egypt, being a net importer of oil and gas, remains a supportive environment for partnering with international oil and gas companies to develop its resources. The corporate landscape ranges from majors to independents with steps being taken by the government to incentivise activity.

Egypt's total primary energy consumption is delivered around 90% by hydrocarbons, based on EIA data. However, in 2023 Egypt accelerated its low-carbon development pathway by updating its nationally determined contributions (NDCs) as per the Paris Agreement. Egypt has now committed to reach 42% renewables within its energy mix by 2035.

However, in the short term, the country is going through a foreign exchange crisis, with lower tourism revenues and remittances due to regional instability and higher interest rates. Egypt is a net importer of oil and gas, exacerbated by steep increases in grain prices due to restrictions in Ukrainian grain exports via the Black Sea.

The recent re-election of President Sisi provides political stability until 2030 against a backdrop of numerous economic challenges. Recent economic reforms, alongside Egypt's strategic significance, have acted as catalysts to bring in required external funding. This process started with the significant deal between the UAE and Egypt signed in February 2024, the IMF loan agreement announced in March 2024 and proposed financial support packages from the EU and World Bank.

Delivering sustainably

Capricorn's commitments to deliver net zero by 2040 and to eliminate flaring by 2030 are well aligned with the targets and ambitions embedded in the COP26 pledges. Our investments are modelled using the robust Task Force on Climate-Related Financial disclosures (TCFD) framework and tested against IEA's APS, STEPS and NZE scenarios, aligned with a 1.5-degree warming. This demonstrates the portfolio's ability to continue generating shareholder value even in the most extreme carbon reduction scenario, as described in our TCFD report.

Egypt's hosting of COP27 in Sharm El Sheik was a huge success and Capricorn is keen to support Egypt's ambition to continue the positive legacy of COP. In July 2023, Egypt updated their NDCs, aligned to the Paris Agreement. The updated NDCs accelerated Egypt's low carbon development journey by committing to reduce the oil and gas sectors emissions by 65% by 2030.

Capricorn will support Egypt in achieving its updated NDCs via our net zero roadmap, which supports the continued delivery of a high-quality product through increasing operational efficiencies.

“We anticipate oil prices should remain robust in the medium term as demand continues to build year on year and investment is constrained due to access to capital and a focus on shareholder returns.”

STAKEHOLDERS AND S172 STATEMENT

The Directors of Capricorn Energy PLC, and those of all UK companies, are bound by their duties under the Companies Act 2006 to promote the success of the Company for the benefit of its members and in doing so, having regard to the interests and views of all relevant stakeholders. Continuous engagement is integral to our day-to-day operations and working together towards shared goals is a key factor in facilitating the long-term success of the business.

The Board fully recognises the need to balance the contrasting and, at times, conflicting interests of various stakeholder groups, whilst focusing on the Company's purpose, values and strategic priorities. Such engagement underpins the governance framework embedded throughout our business and helps to ensure we maintain the highest standards of business conduct.

Throughout the past year, there has been substantial engagement regarding a number of significant matters which has helped shape the Company's actions. These include the return of cash to shareholders, Board composition,

ongoing operational arrangements and the energy transition. All key business decisions considered included an analysis of stakeholder considerations, anticipated impact and any mitigating factors.

Supporting Section 172

Section 172 of the Companies Act 2006 sets out that a Director should have regard to stakeholder interests when discharging their duty to promote the success of the Company. The Directors of Capricorn Energy PLC consider, both individually and together, that they have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith,

would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in Section 172(1) of the Companies Act 2006.

Details of how the Board and senior management engage and foster strong relationships with some of our key stakeholders, and examples of the impact of this engagement, are set out below.

[Further information can also be found throughout the Strategic Report and in our exploration of key strategic decisions made in the Governance Report.](#)

	Why is it important to engage?	How the Board and/or management engaged	Key topics of engagement	Examples of the impact of such engagement and actions taken
Investors	<ul style="list-style-type: none"> – The views of our investors influence our strategic and operational decision-making – We are dependent on shareholders for access to funding – We are accountable to our shareholders 	<ul style="list-style-type: none"> – Undertaking a full investor programme including: <ul style="list-style-type: none"> • Holding approximately 130 investor meetings, including one-to-ones and attending conferences • Conducting regular financial reporting • Responding in a timely manner to investor and analyst enquiries • Offering shareholders the opportunity to submit questions by email in advance of general meetings (as well as being able to raise questions at the meetings themselves) • Post-general meeting correspondence to discuss vote outcomes 	<ul style="list-style-type: none"> – Strategy and performance – Return of cash to shareholders – ESG matters including energy transition – Board composition and diversity – Corporate governance 	<ul style="list-style-type: none"> – Regular reviews of corporate objectives – Return of cash being conducted by way of special dividend as opposed to tender offer – Board composition changes (as discussed on pages 77 and 78)

	Why is it important to engage?	How the Board and/or management engaged	Key topics of engagement	Examples of the impact of such engagement and actions taken
Governments	<ul style="list-style-type: none"> – We are responsible to them for compliance with local and/or international laws – Their permissions are required for us to access acreage and obtain payments 	<ul style="list-style-type: none"> – Meetings with heads of state, UK and country ambassadors, ministers and civil servants 	<ul style="list-style-type: none"> – Legal compliance – Major accident prevention – Investment and economic growth – ESG matters 	<ul style="list-style-type: none"> – Continued monitoring of responsible performance at Board meetings and annual review of Corporate Responsibility Management System (CRMS) and objective KPI setting – Implementation of enhanced incident reporting system – Reviewing feedback and commentary from government and regulatory bodies regarding performance expectation – KPIs include performance against leading and lagging indicators for health, safety and environmental protection
Business partners, peers and contractors	<ul style="list-style-type: none"> – We are reliant on our partners in joint ventures – We are commercially responsible to contractors, suppliers and partners – Their performance directly impacts our financial, operational and responsible performance 	<ul style="list-style-type: none"> – Meetings with partners, peers and contractors in addition to regular joint venture and operations planning meetings – Maintaining membership of industry bodies – Active management of key projects and assets (including alignment of project deliverables) 	<ul style="list-style-type: none"> – Policies and standards – Industry reputation – Investment opportunities for growth – Long-term relationships – ESG matters 	<ul style="list-style-type: none"> – Careful selection of contractors (discussed on page 32) – Continued membership of International Association of Oil & Gas Producers (IOGP) Security Committee (performance against IOGP benchmarks discussed on page 12) – Actively engage with joint venture partners and governmental entities to establish good working relationships
Local communities and interest groups	<ul style="list-style-type: none"> – We have an ethical responsibility to maximise social and economic benefit and to minimise impact on livelihoods and the environments in which we operate – They provide an alternative perspective, strengthening our knowledge of local situations and/or specific demands 	<ul style="list-style-type: none"> – Community meetings – Reviews of social investment strategies aligned with United Nations Sustainable Development Goals (UNSDGs) – Senior management visits – Media monitoring 	<ul style="list-style-type: none"> – Transparency of payments to governments – Protection of resources and livelihoods – Community development and social investment – Access to employment and business opportunities – Education assistance 	<ul style="list-style-type: none"> – Community investment focus to include adaptation to climate change – Continued membership of the Extractive Industries Transparency Initiative – Social investment in Egypt supporting local communities in Galala and Swani Samalos villages (discussed on page 38) and Suriname including supporting further education in the health and energy sectors (discussed on page 39)
Employees	<ul style="list-style-type: none"> – We are dependent on employees' performance and that of the wider workforce – We have a legal and ethical responsibility for their well-being – They bring a diverse perspective to the identification of opportunities and ways of working 	<ul style="list-style-type: none"> – Regular staff meetings – Employee Voice Forum (EVF) meetings (discussed on page 39) – Working practice focus groups – General meetings – Exit interviews 	<ul style="list-style-type: none"> – Long-term and short-term strategy – Internal mobility – Cost-of-living increases and inflationary pressures in the economy – Working practices – Collaboration across teams 	<ul style="list-style-type: none"> – Amendment of the hybrid working policy

MEASURING OUR PROGRESS

Strategic objectives are set annually to monitor delivery of our strategy. These are measured by KPIs set by the Board. Our risk management process identifies the principal risks to the delivery of our strategic objectives.

HSSE

2023 KPIs

HSSE lagging indicators

Lost time injury frequency (LTIF), Total recordable incident rate (TRIR), spills to the environment as reported for operated activity and measured against IOGP benchmarks.

HSSE leading indicators

Safety leadership visits.

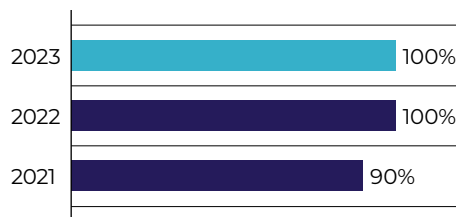
2023 performance

- Operated activities, including well drilling, resulted in zero reportable regulatory spills to the environment and, for TRIR and LTIF, as reported in IOGP statistics, scores which were better than the lowest number of all activity averages.
- Five safety leadership trips have been completed by senior management to the Western Desert assets. The Egypt Health, Safety, Security and Environment (HSSE) Manager also spent three weeks on-site with Cheiron and Bapetco in November and December as part of an audit. The security situation in the Western Desert deteriorated in October 2023 so further trips, including that of the CEO, were postponed.

Key risks

- Lack of adherence to health, safety, environment and security policies.
- Breach of Code of Ethics.

Past performance in KPI category



Remuneration

Weighting (as % of allocated proportion of maximum)

7%

Achievement against target weighting

7%

[Read more in the Remuneration Report from page 86](#)

ESG

2023 KPIs

Environmental

Demonstrate equity Scope 1 and Scope 2 greenhouse gas (GHG) emissions reductions versus relevant baselines, incorporating where appropriate certified offsets.

Reporting requirements

Maintain Carbon Disclosure Project (CDP) rating and meeting Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI) reporting requirements.

Governance

Establish company strategy of optimising executive structure, improving strategic decision-making and enhancing relationship between all groups of stakeholders.

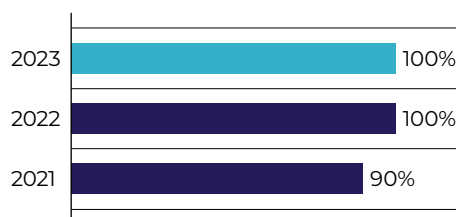
Key risks

- Future challenges and costs as markets transition to Net Zero.

2023 performance

- Capricorn's equity Scope 1 and Scope 2 net-zero commitment is monitored against our 2022 emission baseline, which was reported last year as 269,635 tCO₂e. This baseline includes both our Scope 1 and Scope 2 operated data, which has received limited assurance from Deloitte LLP, and Scope 1 non-operated data, which is provided to us by Bapetco. Capricorn's non-operated Scope 1 forms the majority of our overall emissions footprint and emissions have been consistently lower within 2023 than our 2022 baseline. This lower emission trend resulted in a year-on-year reduced non-operated and operated Scope 1 and Scope 2 emissions for 2023 in comparison to our 2022 baseline. Total Scope 1 and Scope 2 emissions for 2023 were 226,900 tCO₂e.
- For 2023, we met our ESG reporting requirements by disclosing our TCFD in both our Annual Report and Sustainability Report. Capricorn disclosed sustainability metrics in reference to the GRI standard and aligned to the SASB framework; both indexes are currently published on the Capricorn website. SASB is governed by ISSB; therefore, by reporting to SASB, Capricorn is also aligning its ESG reporting to ISSB. Capricorn reported both climate and water CDP submissions within 2023. The climate change score was upgraded from B- to A- and the water score was downgraded from B- to C.
- A new Board and CEO were appointed in February and June respectively. Randy's appointment has allowed Capricorn to draw on his extensive experience in running a low-cost, effective business in Egypt. The senior management tier has also been streamlined and the introduction of weekly leadership team meetings has enhanced decision-making throughout the business. Significant progress has also been made in building a more constructive partnership between Capricorn and its JV partner Cheiron, and also with EGPC and the Egyptian Ministry.

Past performance in KPI category



Remuneration

Weighting

(as % of allocated proportion of maximum)

8%

Achievement against target weighting

8%

[Read more in the Remuneration Report from page 86](#)

Production

2023 KPIs

2P reserves maturation

Through incremental development investment deliver an effective Reserves Conversion Ratio (RCR) in relation to annual WI production.

Complete development of life of field plans for key concessions that would serve as a foundation for negotiation of the change in fiscal terms with EGPC and the Ministry of Petroleum.

Delivering production and operational performance

Deliver net WI production in line with public market guidance.

Deliver operating cost targets in line with public market guidance.

Deliver improved performance of the JV with better forward planning by enhancing stakeholder relationship management with Cheiron and Bapetco.

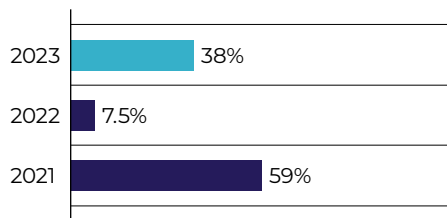
2023 performance

- During 2023, 5.9 mmmboe was matured into 2P reserves on a WI basis to partially offset the reduction from the year’s production (~11.2 mmmboe WI). 1.4 mmmboe of the increase came from drilling near-field exploration (NFE) wells, primarily from the Karam C76, BED 15 C3-1 and BED 16 C6-1 wells. In addition, 4.4 mmmboe of developed 2P WI reserves were added through drilling 29 development wells. However, in light of the reserves downgrades during the year and at year-end, the committee exercised its discretion and awarded zero marks.
- To support the November budget process a No Further Activity (NFA) forecast and a new well forecast for 2024-2026 was completed. Prioritised field development plans for fields with greatest Capex deployment in 2023-2024. BED 15 and BED 16 static and dynamic modelling completed, Karam ARG kicked off, and agreement with Cheiron to outsource Obaiyed field study in 1H 2024.
- 2023 WI production on a produced basis averaged 30,044 boepd for the year. This was below the low end of the original FY23 32-36,000 boepd guidance, largely impacted by the timing of the delivery of key projects at Teen and in the BED area, along with lower than expected contributions from new wells.
- Capricorn achieved an operating cost of \$5.4boe, which was at the low end of our \$5-\$7 guidance.
- Capricorn has improved the pipeline of new wells by building a new well inventory across BED where the bulk of activity has been focused. This has delivered a prioritised drilling order. In Obaiyed, Capricorn proposed to significantly reduce Capex and drilling on this asset due to subsurface risk and the need for further study work. Relationships and communication channels have improved significantly on the technical side, which has resulted in better collaboration within the JV, and will be crucial as operations are progressed.

Key risks

- Failure to replace long-term reserves and resources.

Past performance in KPI category



Remuneration

Weighting (as % of allocated proportion of maximum)

40%

Achievement against target weighting

15%

[Read more in the Remuneration Report from page 86](#)

Financial performance

2023 KPIs

Articulate and execute coherent capital return strategy while maintaining sufficient liquidity to ensure going concern.

Execution of reorganisation and rightsizing of Capricorn Energy.

Successful withdrawal from exploration commitments ex-Egypt while minimising residual liabilities.

Execute release of existing Mexico bank guarantees/letters of credit, full recovery of VAT receipts, applicable under the concession, and prepare for the country exit.

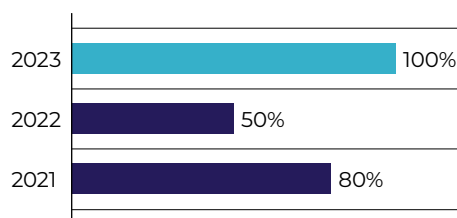
2023 performance

- Capricorn paid shareholders a ~\$450m special dividend in May 2023. At the half-year, refinements were made to the going concern review which allowed us to demonstrate that the Group had sufficient cash headroom to continue to operate as a going concern while executing the return of an additional ~\$100m to shareholders in October 2023, and continuing the ongoing share buyback programme.
- Achieved a material reduction in ongoing G&A, matching costs to the scale and priorities of the business and made significant progress in exiting all non-Egypt licences to focus capital and internal resources on the Egyptian portfolio. There had been an 80% overall reduction in UK headcount by year-end.
- Following completion of the organisational restructure, the G&A expenses run rate for 2024 is targeted to be less than \$20m.
- At the beginning of the year, Capricorn was involved in a number of high-risk exploration projects, which were deemed by the new Board as 'high risk, low value' and non-core. Capricorn marketed the licence to farm-down its position in Suriname, but was unsuccessful in attracting interests in this block in advance of expiry in October 2023. As such, the block was relinquished in Q4. Similarly, the Group's Mauritian licence was relinquished in Q2 and the UK licences were also relinquished in Q4. The Mexico B9 operated licence was transferred on 6 October 2023.
- The Mexico office was closed in November 2023. Two staff remain to continue work on VAT refunds and local content audits. VAT refunds plus interest of c.\$21.2m have been recovered since 2021, with c.\$3.5m outstanding. \$3.6m was recovered in 2023. All operated activities were exited in October with transfer of Block 9 to Eni. A bank guarantee was released at the same time. National Hydrocarbons Commission (CNH) has given notice of non-compliance with certain training obligations on Block 15, and we continue to work on a settlement of this item.

Key risks

- Increasing EGPC receivables balance.
- Volatile oil and gas prices.

Past performance in KPI category



Remuneration

Weighting

(as % of allocated proportion of maximum)

40%

Achievement against target weighting

40%

[Read more in the Remuneration Report from page 86](#)

Exploration

2023 KPIs

Operations

Conduct our Egypt exploration and appraisal activities (surveys and drilling) successfully, on time and on budget.

Adding new resources

Add new potentially commercial WI resources in Egypt through exploration and appraisal (E&A) drilling.

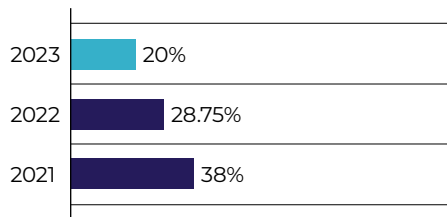
Key risks

- Failure to replace long-term reserves and resources.

2023 performance

- In 2023, Capricorn undertook a campaign of operated exploration drilling, initially targeting the South Abu Sennan (SAS) licence in the South of the Western Desert and then the South East Horus (SEH) licence. All wells were delivered below authorization for expenditure (AFE) time and the AFE cost:
 Saqr-1 AFE: \$2.91mm Actual cost: \$2.82mm.
 Seman-1 AFE: \$1.78mm Actual cost: \$1.42mm.
 Sayadeya-1 AFE: \$2.37mm Actual cost: \$2.44mm.
- All three wells drilled in 2023 were dry.

Past performance in KPI category



Remuneration

Weighting

(as % of allocated proportion of maximum)

5%

Achievement against target weighting

1%

[Read more in the Remuneration Report from page 86](#)

2024 KPIs

Strategy Link

HSSE/ESG

10%
Weighting

Lagging indicators

- To achieve zero LTIF and spills to the environment across the Group's operations.



Leading indicators

- Complete two safety leadership visits to Egypt assets and hold three safety workshops led by a senior executive to discuss HSSE and risk management.
- Complete two business resilience response training exercises.
- Agree, establish and track social investment across the Group to maximise the alignment with the 17 UNSDGs.



Environmental

- GHG emissions reductions: Demonstrate equity Scope 1 and Scope 2 GHG emissions reductions versus relevant baselines, incorporating certified offsets, where appropriate.



Environmental reporting

- Communicate our climate change strategy, maintain CDP rating and meet TCFD, SASB and GRI reporting requirements.



Partnerships

15%
Weighting

- Work with JV partners to collaborate on development, production emissions and compliance objectives.
- Further mature the unconventional play description across the BED and West El Fayium (WEF) concession areas.



Production

25%
Weighting

- Deliver net WI production in line with public market guidance.
- Deliver operating cost targets in line with public market guidance.
- Through incremental development investment deliver an effective RCR in relation to annual WI production.



Financial performance

25%
Weighting

- Maintain sufficient 'headroom' from existing sources of funds in all financial projections covering all currently committed and planned expenditure including capital funds for exploration, appraisal, incremental development and production opex to ensure going concern.
- Work with partners and engage with EGPC in Egypt to address and improve the receivables position.
- Debt liquidity covenants or applicable facility tests will not be breached.



Corporate projects

25%
Weighting

- Delivery of projects of strategic significance during the calendar year.
- Improved fiscal terms: Align with the operator on improved fiscal terms on AESW and the 50:50 JV assets to enable negotiations with EGPC to progress in 2024.



Key



Driving culture change



Production optimisation



Maximising potential of assets



Responsible governance



Behaving responsibly to the environment



Behaving responsibly to people



Behaving responsibly to society

A Responsible Approach to the Environment



During a year of major reorganisation at Capricorn Energy, our commitment to environmental protection has remained unchanged and this approach is fundamental to maintaining our licence to operate. We are committed to being a responsible energy producer and will play our part in supporting Egypt to achieve its accelerated and updated nationally determined contributions (NDCs) to reduce oil and gas emissions within the sector by 65% by 2030.

Our approach to protecting the planet includes making strenuous efforts to understand and reduce our overall impact on the environment, including climate change, biodiversity and consumption of freshwater resources.

Business principles

- We strive to prevent and minimise our impact on the environment, including no net loss of biodiversity.
- Commitment to World Banks Zero Routine Flaring by 2030.
- We will implement our pathway to net zero and report on our progress.

In 2023, the following environmental issues were treated as being of high materiality:

- Climate change and energy transition.
- Reduction of GHG emissions.
- Reduction of fossil fuel consumption.
- Protection of biodiversity and ecosystems.
- Discharges to air, sea, land and sound.
- Protection of fresh water resources.
- Circular approach – minimisation of waste.

See our Materiality Matrix online: www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Recommitted to our climate and energy transition strategy.
- Developed short-, medium- and long-term sustainability objectives and targets.
- Integrated carbon pricing mechanisms and re-evaluated the resilience of our portfolio.
- Assessed physical risks of climate change on our portfolio.
- Improved our reporting against the TCFD, SASB requirements and GRI.
- Expanded Scope 3 emissions disclosures, including Capricorn's commuting emissions, business travel emissions and the use of our products.

- Undertook an environmental baseline survey, furthered knowledge of biodiversity and ecosystem services risks in our operated exploration in Egypt.
- Maintained environmental and social impact assessments for our operated exploration projects in Egypt.



For more details, see our website: www.capricornenergy.com/working-responsibly



Capricorn's commitment to the environment has been approved by our Board and CEO and is aligned with Capricorn's Corporate Environmental and Climate Change Policy (CECP). CECP is directly implemented within our management system to continually improve our performance in accordance with international codes and standards.

In 2023, Capricorn made good progress in understanding and reducing our GHG footprint, as per our net zero commitment of equity Scope 1 and Scope 2 GHG emissions by 2040, with interim targets of 15% by 2025 and 30% by 2030, against a 2022 baseline. Capricorn reduced its equity Scope 1 and Scope 2 emissions against our 2022 baseline by 15.6% for 2023. This currently puts us ahead of our interim reduction targets of reducing our emissions by 15% by 2025.

Capricorn recognises the increasingly global threat of biodiversity loss and its interlinking with the physical risks of climate change. In 2022, Capricorn committed to No Net Loss of Biodiversity and will be aligning our reporting disclosures in 2025 to reflect New Task Force for Nature Disclosures (TNFD) recommendations.

During 2023, Capricorn undertook a comprehensive internal study to understand our freshwater resource consumption on an operational basis, including site activities and office-based use. The study focused on our Egypt office,

which is situated within a high-water stress area based on the Aqueduct Water Risk Atlas.

Climate change and the energy transition

In early 2023, Capricorn Energy went through a major refocusing of its activities, plans and goals. Although many aspects of the business now look very different, our commitment to achieving net zero and our climate obligations remains steadfast and uncompromised.

A central dynamic for Capricorn is to reduce our operational emissions as outlined within our net zero road map, whilst continuing to provide fossil fuels to the Egyptian domestic market.

Egypt is a developing economy, and therefore with oil and gas resources built into every scenario of the International Energy Agency (IEA), Capricorn will support Egypt's Just Transition by focusing on lower emissions-based production, while implementing multiple decarbonisation initiatives.

Actions first, offsets second

As part of our net zero roadmap, we are actively seeking ways to understand and address not only climate but environmental impacts as well.

Our primary goal is to earn our net zero status through measurable, tangible actions, with the secondary safety net of Capricorn's carbon offset portfolio.

In these pages we describe multiple decarbonisation and efficiency projects, improved behaviours and implementation of emerging technologies – such as thermal plasma electrolysis, which is an innovative technique that breaks down methane into hydrogen and carbon black.

An AAA year

In 2023, Capricorn Energy was updated by Morgan Stanley Capital International (MSCI) from 'AA' to 'AAA' as a result of our ESG performance. Capricorn also upgraded its CDP climate change submission from B to A-.

The year also saw improved or sustained rankings from the key ESG analytics agencies, including Moody's, ISS and Sustainalytics.

2024 goals

We aim to:

- remain on track to achieve our interim emission reduction target of 15% by 2025 as part of our equity Scope 1 and Scope 2 CO₂ net zero emissions by 2040;
- continue the decarbonisation progress we have made with our JV partner;
- achieve a clear fugitive emission asset baseline and implement reduction initiatives with a specific methane focus; and
- continue to maintain and improve on our industry ratings and ranking.

RESPONSIBLE BUSINESS CONTINUED

Reducing our GHG emissions

The reduction of GHG emissions sits at the heart of our strategy for sustainable operations. We address it directly through our net zero roadmap, which is underpinned by our equity Scope 1 and Scope 2 net zero by 2040 with interim reduction targets of 15% by 2025 and 30% by 2030.

Addressing our emissions footprint remains a key demand from our external stakeholders and is also seen as a significant business risk.

Capricorn's net zero roadmap is underpinned by clear operational principles: avoid, reduce, substitute, sequester and offset. In the short to medium term, our net zero strategy focuses on operational efficiencies, which we address on both an operated and non-operated basis.

Capricorn is now a non-operator of both its producing assets and exploration licences. Both our JV partner Chevron and JV company Bapetco have developed and published their own sustainability plans aligned to Egypt's NDCs, and share Capricorn's focus to optimise operations to reduce GHG emissions in every practicable way.

2023

During 2023, we worked with our partners to implement a range of decarbonisation initiatives to reduce our overall GHG footprint in our producing asset base.

Activities within our Bapetco JV included:

- **Flare gas recovery:** Implementation of flare reduction projects, including process optimisation activities, stripping gas reduction and smart infrastructure upgrades. These upgrades included replacing pre-existing heaters with gas-fired units fed from waste stream flare gas within the Barqa field.
- **Switching to gas:** We are migrating away from carbon-intensive diesel-powered generation, in favour of natural gas. Working with our JV partner, we completed the switch from diesel to gas generation in the North East Abu Gharadig (NEAG) JG block in August 2023, as well as increasing the clustering of wells within the Sitra and BED fields to increase operational efficiencies of the remaining diesel generators. This switch resulted in a total reduction in diesel consumption of around 7% when compared with consumption in 2022.
- **Power consolidation:** Where diesel generators are required, we are saving thousands of litres a day through power centralisation.
- **Fugitive emission focus:** The JV purchased a FLIR GFX320 fugitive emissions camera to address current and future fugitive leaks. This addition has enabled us to include fugitive screening within regular maintenance processes.

- **Hydrogen feasibility study:** In Q4 2023 the JV undertook a hydrogen feasibility study to understand the suitability of utilising remaining flare gas to produce hydrogen. The initial proof of concept phase of this study has been a success, and we have now progressed to an initial commercial screening study to understand the potential value chain and off-takers within the Egyptian market.
- **Carbon capture study:** In 2023, the JV completed a technical feasibility study to identify candidate subsurface storage sites for carbon dioxide at our BED and Obaiyed concessions, as well as a first look at surface facility configuration.

2024

We go into 2024 confident that our pipeline of decarbonisation initiatives will continue to deliver a reduction in our GHG footprint.

In addition to the 2023 projects, the JV will explore:

- **Hydrogen/diesel hybrid generators:** Pilot study to introduce hydrogen in diesel generators to reduce diesel consumption.
- **Fugitive screening:** Utilisation of ground level cameras to identify and remove fugitive emissions, as part of an enhanced asset integrity campaign.
- **Satellite monitoring:** Continue to monitor flaring and venting to provide quality control on emissions reporting data and offer opportunities for improved performance.

Reducing our fossil fuel consumption

Understanding and taking measurable action to reduce Capricorn's overall fossil fuel consumption is integrated into our broader net zero roadmap.

Fossil fuel consumption is the largest contributor to Capricorn's equity Scope 1 emissions and therefore offers a significant reduction opportunity. Our decarbonisation programmes approached fuel consumption on multiple fronts in 2023.

- **Clustering:** Where diesel generators are currently necessary, we have reduced consumption through power centralisation.
 - This has been achieved by increasing the clustering of wells within the Sitra and BED fields to increase operational efficiencies of the remaining diesel generators.
- **Electrification:** To further reduce diesel consumption, we are utilising the spare power generated at Badr El Din 3 (BED3) to cover the electrical needs of 20 wells.

- **Switching to gas:** We are migrating away from carbon-intensive diesel-powered generation in favour of gas. We will continue to work with our JV partner to continue the replacement of remaining diesel generators to gas in 2024.
- **Hydrogen/diesel hybrid generators:** Pilot study to introduce hydrogen in our diesel generators to reduce diesel consumption. Pre-pilot results suggest the addition of hydrogen could reduce diesel consumption by 30%.
- **Questions for contractors:** As part of our tendering process, we require contractors to estimate the fuel consumption of their vehicles and plant. Any outlier that is greater than 20% of the mean is automatically removed from the tender.

Protection of biodiversity and ecosystems

Protection of biodiversity and natural ecosystems ranks highly as a material issue for Capricorn and our stakeholders. We recognise the increasingly global threat to biodiversity and its link with the physical risks of climate change.

As outlined within our CRMS, our Biodiversity Framework, which has been strengthened and developed in recent years, provides a common cross-operational approach to mitigating potential impacts.

The framework unifies how we identify, assess and mitigate potential impacts. It measures biodiversity risk screening and environmental baseline surveys (EBSs) to benchmark conditions before operations commence, and environmental and social impact assessments (ESIAs) to evaluate the significance of potential impacts and to propose mitigation.

The framework is supported by our Guidance for Managing Biodiversity Risks and Opportunities, issued in February 2022. This document maps principles from the International Petroleum Industry Environmental Conservation Association (IPIECA); the IOGP Biodiversity and Ecosystem Services guidance; and the Cross Section Biodiversity Initiative's guide for implementing the mitigation hierarchy to our business processes and project delivery process.

Case study

Focus on fugitives

In Q4 2022, Capricorn and our JV partners undertook a full screen of the producing assets to comprehensively understand our fugitive emission position.

The study identified 148 fugitive points, of which 68 have since been rectified, the remaining 54% require maintenance shutdowns to enable access for repairs.

In Q4 2023, the JV partnership procured a light detection and ranging camera to integrate fugitive screening into routine maintenance. Field

operatives have now been trained to operate the equipment; a full facilities assessment is currently underway to provide an updated baseline fugitive position to inform our regular maintenance activities.

Capricorn is looking into ground level monitoring systems positioned at our non-operated assets, which offer

a 24/7 approach to identify leaks outside of maintenance cycles. We hope to position ourselves to be able to comprehensively monitor our fugitives from a point position, asset position and satellite position within 2024.

Protecting and screening biodiversity and sensitive areas

As nature and biodiversity risks are inherently location-specific, Capricorn undertakes detailed screening and consultation to identify protected areas and to prioritise locations for biodiversity conservation. As a matter of policy, we do not explore, develop or enter joint ventures located in UNESCO World Heritage sites or International Union for Conservation of Nature, categories 1a (strict nature reserves) and 1b (wilderness areas).

We are now regularly using an Integrated Biodiversity Assessment Tool, together with Capricorn's in-house Geographical Information Service biodiversity risk screening tool, developed with the United Nations Environment Programme's World Conservation Monitoring Centre (UNEP-WCMC). The tool is used as part of our new opportunity screening process and gives us a consistent methodology to examine and compare biodiversity risks.

Desert operations

Although not at high biodiversity risk, we make no distinction between Egypt's Western Desert and any other environment: we see the same priorities, and have local communities to answer to and support.

In 2023 we worked on a number of projects.

- **Improving performance:** A 2022 Environmental and Social Action Plan survey identified issues that fell below our standards. In the reporting year, we addressed:
 - collecting and cleaning up minor (tier 1 or 2) spills; and
 - enhancing processes to deal correctly with different wastes.

Discharges to air, sea, land and sound Introduction

Naturally, we seek to comply with the local regulation of our host country of Egypt, as well as international conventions such

as the international convention for the Prevention of Pollution from Ships and the Oslo/Paris Convention for the Protection of the Marine Environment of the North-East Atlantic. Capricorn also seeks to comply with international industry best practice, such as the environmental management guidelines published by IPIECA and IOGP.

Discharges

Capricorn is broadly satisfied with our management of discharges throughout 2023. Our robust audit – which we carry out every six months – revealed certain discharge and waste handling issues, which we are addressing.

Examples of Capricorn's actions towards reducing impacts include the following:

Discharges to land: waste

- In 2023, operated activities included:
- Capricorn follows environmental law by appropriately disposing of waste created during exploration activities. This includes using septic tanks at the rig site to ensure appropriate disposal to the sewage treatment plant; and
 - Capricorn appropriately disposed of solid waste during exploration activities. Solid waste was collected and sent to approved landfill sites, for example oil-based mud cuttings were collected in boxes and transferred to landfill for treatment and final disposal.

Following completion of drilling at South Abu Sennan (SAS) and South East Horus (SEH) exploratory well sites, the locations were reinstated to their original condition, with all waste removed.

Non-operated:

- A new sewage treatment plant was successfully commissioned and is now operational in Alam El Shawish (AESW).

Discharges to land: water

Wastewater handling is a continued priority within our JV operations for 2023.

During the year, the JV upgraded the AESW evaporation ponds to ensure we continued to dispose of produced wastewater safely. Five new ponds were installed and tied into the drainage system for Bahga, Barq and Magd stations.

Discharges to air: flare reduction

In 2020, Capricorn joined World Bank's Zero Routine Flaring by 2030 initiative, which recognises that flaring is unsustainable from a resource management and environmental perspective. Capricorn does not currently have any operated producing assets and, therefore, has no operated flaring. However, non-operated flaring does take place and we are actively supporting our partner in reducing these activities.

Non-operated flare reduction projects implemented in 2023 included process optimisation activities, stripping gas reduction and smart infrastructure upgrades. The latter included replacing pre-existing heaters with gas-fired units fed from waste stream flare gas within the Barqa field.

Protection of freshwater resources

Access to clean, safe water for local communities is a fundamental human right that is enshrined in the UNSDGs.

We therefore take very seriously our responsibility for protecting and maintaining these resources. CECP outlines our commitment to efficient operations regarding water usage. It aims to protect water sources and water quality where we operate, promotes the efficient usage of water, and includes the need to engage with local communities to ensure environmental resources are conserved.

RESPONSIBLE BUSINESS CONTINUED

Fresh water awareness and consumption

In 2022, Capricorn undertook a review of its assets and their vulnerability to the physical risk of climate change. As anticipated, our JV assets in the Egyptian Western Desert were highlighted as being within an area of high water-stress as per the Aqueduct Water Risk Atlas.

In response to these findings, we undertook a complete internal review in 2023 to understand our freshwater usage within our offices- and site-based activities, to improve our reporting disclosure on this critical resource.

As far as practicable, we only use fresh water to support the needs of people, both in our workforce and the contractors we use. Capricorn and our partners in Egypt only use saline water for industrial applications.

For this purpose, in 2023 we:

- drilled two saline water wells to supply the needs of water-based mud cutting within our exploratory wells; and
- installed new filter systems for the drilling rig camp during the year.

Fresh water support

As part of our corporate social responsibility in Egypt, Capricorn is supporting the neighbouring communities of Swani Samalos and Galala by building resilience around fresh-water shortages.

The communities are not served by reliable piped water supplies but through our contribution, we were able to enhance water provision by constructing 48 100m³ rainwater harvesting wells.

Circular approach and minimisation of waste

Capricorn regards minimisation of waste and the move towards the circular economy as a fundamental part of its sustainability commitments.

We align our processes with the accepted material management hierarchy of reduce, re-use, recycle and recover. Where reuse or recycling are not possible, we favour disposal routes such as waste to energy (where available), in preference to landfilling.

We seek to minimise waste wherever we can and ensure that any waste we do produce is systematically processed and disposed of according to agreed waste management plans. These were developed as part of our Environmental Impact Assessments for our Egyptian onshore exploration programmes and detail how Capricorn stays within the law.

During 2023, we:

- carried out, and gained approval for, environmental impact studies on exploratory wells;
- implemented a reinstatement plan for all well locations post-drilling; and

- followed up with contractors to ensure full compliance with waste handling and disposal, including auditing of receipts from waste management facilities.

Delivering on our promises

In 2023, we completed our drilling programmes with no violations or waste disposal infractions and we returned each location to how we found it.

During these desert operations, our controls averted a potential issue with a contractor who was burning waste on-site rather than taking it to the approved landfill facility 200km away. We took immediate steps to rectify this practice, and ensure no environmental impact was left behind.

During 2024, we will:

- continue to work with our partner to ensure alignment with all environmental legislation;
- monitor statistical reports every month;
- conduct audits as required; and
- target achieving another violation-free year.

GHG emissions from operated activities (SECR)

	Unit	2023	2022
Scope 1 (direct) emissions from fuel combustion, flaring and waste incineration	tCO ₂ e		
UK		113.64	3,659.41
Capricorn total		1,392.76*	7,862.61*
Scope 2 (indirect) emissions (location-based) from electricity consumption	tCO ₂ e		
UK		149.26	183.90
Capricorn total		181.84*	223.31*
Total gross Scope 1 and Scope 2 emissions	tCO ₂ e		
UK		262.90	3,843.31
Capricorn total		1,574.60	8,085.92
Total energy consumption kWh	tCO ₂ e		
UK		1,340,000	14,975,833
Capricorn total		1,419,444	32,990,000
GHG intensity ratio of Scope 1 and Scope 2 emissions to 1,000 hours worked tCO₂e/1,000 wh	tCO ₂ e		
UK		1.2	1.17
Capricorn total		4.2	3.12
Scope 3	tCO ₂ e		
Business travel – UK		576.20*	1,202.00*
Business travel – Capricorn Total		576.20*	1,202.00*
Commuting emissions – UK		66.90	393.00*
Commuting emissions – Capricorn Total		200.57*	393.00*

* Deloitte LLP have provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 ("ISAE 3000") and Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410") issued by the International Auditing and Assurance Standards Board ("IAASB") over selected metrics, identified with *, within Capricorn Energy's energy consumption and greenhouse gas (GHG) emission disclosure. Deloitte LLP's full unqualified assurance opinion, which includes details of the metrics assured, can be found on our website – www.capricornenergy.com/working-responsibly. Details about our corporate definitions, data and methodologies are outlined within our Basis of Reporting. Note: Figures do not include Scope 3 from the use of products.

TCFD reporting

Capricorn Energy's climate-related financial disclosures made in the 2023 Annual Report are aligned with the TCFD's recommendations and recommended disclosures, consistent with the Financial Conduct Authority's LR9.8.6 requirement. We have analysed the impact of transition risks of climate change on our portfolio using the IEA's scenario analysis and have also assessed the potential impact of the physical risks of climate change on our assets.

We are continuing to develop good practices and standards for transparency consistent with TCFD recommendations. Our latest reporting includes 11 TCFD-recommended disclosures across four areas. Capricorn has completed the TCFD recommended disclosures consistent to the all sector guidance, as well as the supplemental guidance for non-financial groups, including the energy sector. Capricorn acknowledges the changes currently taking place within the ESG reporting landscape and will refer to IFRS S1 and IFRS S2 reporting requirements for the 2024 reporting period.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Capricorn attaches high importance to climate change considerations at Board level and throughout the organisation, together with our broader environmental, societal and governance responsibilities. These matters are standing agenda items at each Board meeting and also comprise an important KPI in the determination of management and staff variable remuneration. Climate-related risks and opportunities are reviewed and challenged with management each quarter, before they are presented at the Audit Committee.

During 2023, the Board discussions included:

- Reviewing and recommitting to Capricorn's net zero roadmap by 2040, including our interim targets of 15% by 2025, and 30% by 2030.
- Relevant principal climate-related risks and opportunities were presented to the Board, at least four times per year.

a) Describe the Board's oversight of climate-related risks and opportunities

Climate-related risks are recognised as a major concern for the planet, as well as the future of the oil and gas industry. Addressing these risks is one of the highest priorities for Capricorn. The Board takes full responsibility for the governance of climate-related risks and opportunities.

In March 2022, the Board established the Sustainability Committee, highlighting the importance of ESG matters within the Board and wider organisation. The energy transition and Capricorn's role, is of particular importance to the Board and the formation of this new committee has allowed further dedicated time. Overall, responsibility for the system of risk management and internal control and reviewing the effectiveness of such systems rests with the Board. Relevant principal climate-related risks and opportunities are presented to the Board, at least four times per year.

Capricorn uses risk registers, described in the risk management section below, to report climate-related risks and opportunities and associated mitigation measures. Reporting of these risks within the organisation is structured so that risks are escalated through various internal management channels to relevant Board committees and to the Board itself. Climate-related risks and opportunities are discussed, as noted, during risk discussions but also when considering annual work programmes and budgets, acquisitions and divestments, and when considering annual performance objectives.

b) Describe management's role in assessing and managing climate-related risks and opportunities

Capricorn's CEO takes ultimate responsibility and accountability for the company's ESG policy, including climate-related strategy and targets. The Chair of Capricorn's Board is the Director responsible at the Board level.

Capricorn's Board reviews climate and energy transition issues, concerning both Capricorn's own position and risk management, and international policy and stakeholder drivers. The Board and Audit Committee also perform a regular review of the Group principal risk register and associated controls and actions. This offers management and the Directors an opportunity to agree on and challenge the principal climate-related risks and opportunities.

After Capricorn's restructuring in 2023, energy transition and ESG have been consolidated. ESG is responsible for monitoring the fast-changing external environment, including the regulatory and technological spheres, with climate-related risks and opportunities discussed on a regular basis with the company's senior leadership.

With ESG embedded within Capricorn's KPIs, all departments benefit by ensuring the company remains on track to fulfil its net zero target by 2040. This includes overseeing Capricorn's carbon emissions from existing assets and ensuring that new opportunities are in line with the Company's net zero commitments.

ESG and the commercial team are responsible for TCFD reporting, including scenario modelling to assess the impact of transition risks of climate change on Capricorn's portfolio. ESG and production are supporting the development and implementation of decarbonisation initiatives at an asset level. The decarbonisation initiatives implemented within 2023 have been outlined in detail within our environment section.

Climate-related risk mitigation is embedded into Capricorn's culture, as climate impact becomes a key strategic consideration across different business functions. For example, screening of new opportunities is underpinned by resilience testing against transition risks of climate change, including the application of internal carbon pricing across all potential investments.

We also include energy efficiency and carbon emissions as a differentiating factor in selecting contractors for drilling, marine and aviation services. The most polluting products and services are eliminated from the tender process.

In 2022, Capricorn built and piloted a commuting emissions app with the dual benefit of expanding Capricorn's reporting disclosure capability, in addition to helping inform staff of their direct emissions. For 2023, the app has been expanded to include the Egypt office, in addition to improving our business travel reporting disclosures.

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks

The Group's framework for risk management promotes a bottom-up approach to risk management with top-down support and challenge. Climate-related risks and opportunities and the associated mitigation measures and action plans are maintained in a series of risk registers at Group, asset, function and project level. The Group uses a number of tools to identify climate related risks including, but not limited to, hazard identification, social impact assessments and environmental hazard identification. Risks identification sessions are typically completed with project teams and risks are uploaded to the Group's risk software tools which assigns ownership for the risks.

Climate-related risks are classified in alignment with TCFD's description of physical and transition risks:

Transition risks – risks related to the transition to a lower carbon economy including policy and legal, technology, markets, and reputational risks.

Physical risks – risks related to the physical impacts of climate change including event-driven risks such as changes in the severity and/or frequency of extreme weather events.

The Group has established impact criteria, which assigns a score of one to five for impact and probability of occurrence. This drives the overall assessment of the risk and will determine if the risk is within the appetite limits. Material risks for Capricorn are risks with a score of 12 (out of 25) and above. The Group has identified one principal risk in relation to climate change. The transition and physical risks identified below are child risks to the principal risk and their impact and likelihood are aggregated to calculate the principal risk score.

Further information is included in the risk disclosure page and the Materiality Matrix on page 42 of Capricorn's Annual Report.

b) Describe the organisation's processes for managing climate-related risks

Climate-related risks and opportunities, and the associated mitigation measures and action plans, are maintained in a series of risk registers at Group, asset, function and project level. Risk registers are maintained on the Group's risk management software. The Group applies one of the 4Ts to each risk: Tolerate, Treat, Transfer or Terminate.

All risks categorised as Treat are required to have actions assigned to them to reduce the impact or likelihood of the risk occurring. Reporting of these risks within the organisation is structured so that risks are escalated through various internal management, Board committees and to the Board itself for challenge and oversight. The transition to a lower carbon economy risk has been identified as a principal risk. Further information on the risk, appetite level, impacts and mitigations can be found on pages 42 to 48.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Climate-related risks are captured at various levels within the Group and in line with the Group process for risk management. All projects, be it a drilling project, an acquisition opportunity or a new country entry, are required to maintain a risk register. Project teams are multi-disciplined, which ensures that all categories of risk, including climate-related risks, are identified, assessed and managed.

There is also a dedicated Commercial and Energy Transition risk register, which identifies the strategic climate-related risks. This risk register is maintained by the Director of Commercial and is reviewed quarterly. This ensures all climate-related risks are integrated into the Group's overall risk management processes and will be presented and challenged at various forums within the Group.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

In developing our strategy, Capricorn's Board and leadership team consider a wide range of opportunities and risks across three discrete time horizons.

Short term (to 2025): The next one to two years are defined by detailed business and financial plans, which are performance managed in delivery of our 2025 targets.

Medium term (to 2030): Looking out to the end of the decade and the duration of the Paris Agreement enables us to consider our progress towards the long-term targets and adjust course of action if required.

Long term (post-2030): We use a scenario planning approach – IEA's Stated Policies Scenario (STEPS), Announced Pledges Scenario (APS) and Net Zero Emissions (NZE) scenarios – to account for a wide range of uncertainties in the post-2030 period. Our aim is to ensure we have a resilient portfolio, which will deliver value to key stakeholders in the most ambitious climate scenario, limiting the global temperature increase to 1.5 degrees compared to pre-industrial levels. Capricorn considers the following risks to be key climate-related risks in the short, medium and long term.

Capricorn considers the following risks to be key climate related risks in the short, medium and long term.

Type	Climate-related risks	Metric	Capricorn's response
Transition risks	Policy and legal (medium to long term)		
	Implementation of carbon pricing mechanisms in both compliance and non-compliance markets.	EU/UK compliance markets – carbon prices \$100/tCO ₂ e and \$110/tCO ₂ e by 2030, respectively.	In line with IEA and other energy companies in the EU and UK compliance markets, we use carbon prices of \$100/tCO ₂ e and \$110/tCO ₂ e by 2030, respectively. For other regions, where carbon price is not currently applicable, we use our internal carbon pricing assumptions starting at \$33/tCO ₂ e in 2024, rising to \$50/tCO ₂ e in 2030.
	Changes in legislation and country policy.	Within the voluntary market we use – \$33/tCO ₂ e in 2024, rising to \$50/tCO ₂ e in 2030 as our base case.	Use of long-term oil price assumptions that consider the demand effects of global carbon taxation. Continued efforts to decarbonise operations.
		Tracking of oil and gas policy decisions for countries of operation.	Ongoing monitoring of policy and legislation development in countries of interest.
	Technology (medium to long term)		
	Increasing costs of transition to lower emissions technology.	Internal and JV budget tracking and monitoring.	Implementation of decarbonisation technologies at the field level in Egypt. Increase in production within the portfolio, with decarbonisation options, including carbon capture, utilisation, and storage (CCUS).
	Substitution of existing products and services with lower emissions options.		Funding of Heriot-Watt research scholarships. Application of inherently lower emission equipment and contractor services.
	Market (medium to long term)		
	Decline in oil demand and oil price.	Monitoring of energy demand indices (e.g IEA).	Low-cost portfolio, generates value in a 1.5 degree scenario. Embed low oil and gas prices, as well as carbon prices when screening for new investments.
	Faster than expected shift away from gas, leading to lower gas prices.		Ensure strong balance sheet, low leverage, strong free cash flow generation.
Changing market sentiment as consumers switch away from fossil fuels.			
Access to capital.			
Reputation (short term)			
Public perception of how the oil and gas industry is changing.		Maintain transparency relating to all ESG issues. Comply with the highest reporting standards.	
Lack of trust in the oil and gas industry's net zero ambitions.		Ensure continued engagement with external stakeholders.	

RESPONSIBLE BUSINESS CONTINUED
TCFD REPORTING CONTINUED

Capricorn considers the following risks to be key climate-related risks in the short, medium and long term.

	Materiality	Chronic (long term)	Risk exposure	Risk impact	Capricorn's response	
	Climate scenarios					
Physical risks	<p>These identified physical risks apply to Capricorn's current portfolio of 14 physical assets, of which 12 are in Egypt and two offshore Mexico. Currently, our Egyptian assets represent 100% of our production portfolio and therefore considered our core assets and highest priority within the portfolio.</p> <p>Capricorn's portfolio was modelled based on exposure to climate risk, from current scenarios of 1.5°C warming through to 2050, reviewing both 2-3°C and 4°C warming scenarios.</p>	Drought	>2030 +1.5°C	>6 months drought duration for all scenarios from now to 2050.	<p>Likelihood: probable (all climate scenario)</p> <p>Drought may cause increases to the cost of freshwater supply as well as impact to raw materials from suppliers, who may be impacted by freshwater scarcity.</p> <p>However, it is reasonable to assume that Capricorn Energy will adapt to these conditions, in view that the business already operates in highly drought exposed regions.</p>	<p>Short-term response – undertaken</p> <p>A review of our freshwater consumption has been undertaken during 2023. Our water resources and resilience studies were undertaken in Egypt, including improving our freshwater consumption reporting capability.</p> <p>We help our communities adapt to physical risks, for example our corporate social responsibility (CSR) project in Egypt, which delivered 48 100m³ water tanks, basic livestock veterinarian training, health checks and livestock to communities close to our producing assets.</p>
			2050 2-3°C			
			2050 4°C		<p>Drought stress (prolonged periods of rain and water shortage) has been identified as the most material risk by 2040-50 timeframe.</p>	
	<p>It was identified that portfolio risk exposure was consistently scored as very high for drought and heat stress from current day through to 2050. Our offshore Mexico assets scored as low risk exposure for windstorm, wave action and sea level rise.</p> <p>A key outcome of physical risk modelling of Capricorn's portfolio is that operations already take place in very high drought exposed and heat stress environments, with little impact on production.</p>	Heat stress	>2030 +1.5°C	80 – 180 days in a heatwave.	<p>Likelihood: probable (all climate scenario)</p> <p>Heatwave can affect labour productivity/work performance as well as talent attraction.</p> <p>Operationally, high temperatures could cause gas and fluid leaks in pipelines, storage tanks and welded joints, resulting in environmental damage.</p> <p>Heat stress can also lead to higher operational costs associated with the additional energy required to cool buildings and equipment.</p>	<p>Short-term response – propose action</p> <p>Capricorn will discuss identified heat stress risk impacts with our partners by reviewing where current personal protective equipment could be modified to reduce the likelihood of heat stress, and discuss the feasibility of solar shading options.</p> <p>In terms of operations, Capricorn will review operating temperature tolerances for drilling and production machinery as part of our discussions with our partners.</p> <p>Capricorn will maintain a good practice fire loss control maintenance and mitigation regime.</p>
			2050 2-3°C			
			2050 4°C			

Materiality	Chronic (long term)	Risk exposure	Risk impact	Capricorn's response	
Climate scenarios					
Physical risks	Windstorm, wave action and sea level rise	>2030 +1.5°C	Extratropical or tropical cyclone, with at least 161km/h for extratropical cyclone and at least 252km/h for tropical cyclone wind speeds, with a 100-year return period peak gust.	<p>Likelihood: possible (all-climate scenario)</p> <p>Operationally, windstorms and associated wave action can cause disruption to transport and shift changeovers, with more time being scheduled for planned operations such as drilling and production activities to compensate.</p>	<p>Short-term response – undertaken</p> <p>Capricorn has reviewed platform designs to ensure they meet the necessary standard of protection for current and future windstorm events, i.e. built to a sufficient height above sea level considering expected sea level rise implications.</p>
		2050 2-3°C		Increases in storm frequency may require interruptions to production on a more regular basis to evacuate personnel as a precautionary measure.	
		2050 4°C		<p>Windstorms and associated wave action may result in physical damage to offshore platforms, resulting in instability and risk of collapse of offshore facilities.</p> <p>Damage to wells may require drilling of new wells if the well head suffers significant damage.</p>	

RESPONSIBLE BUSINESS CONTINUED
TCFD REPORTING CONTINUED

Capricorn has recognised and is currently working on scoping and implementing a number of climate-related opportunities.

Type	Climate-related opportunities	Capricorn's response
Energy source/ resilience (short to medium term)	Use of lower-emission sources of energy shift toward decentralised energy generation.	In Egypt, we are replacing diesel generators with cleaner-burning gas generators, electrify well sites and downhole pumps using centralised power generation and exploring the use of flare gas to produce hydrogen to reduce our reliance on diesel and gas.
	Use of supportive policy incentives. Use of new technologies.	We have reviewed CCUS opportunities in Egypt and other jurisdictions, and we have invested in the NECCUS project, which supports Scotland's decarbonisation roadmap, of which CCUS plays a significant role.
	Participation in carbon market.	We are actively engaged in voluntary carbon markets. We have acquired a portfolio of high-quality carbon offsets, including nature-based, landfill gas and refrigerant gases sequestration.
Resilience (long term)	Resource substitutes/diversification.	We are evaluating clean energy diversification opportunities, including diesel substitution and the application of methane pyrolysis.

OUR NET ZERO COMMITMENT IN ACTION

Focus on equity Scope 1 and Scope 2 net zero by 2040 with emission reduction targets of 15% by 2025 and 30% by 2030.

Zero routine flaring

First UK independent to commit to World Bank Zero Routine Flaring by 2030.

Portfolio resilience

Current portfolio creates value in stringent transition scenario testing.

Clear principles underpin target
Avoid, reduce and substitute

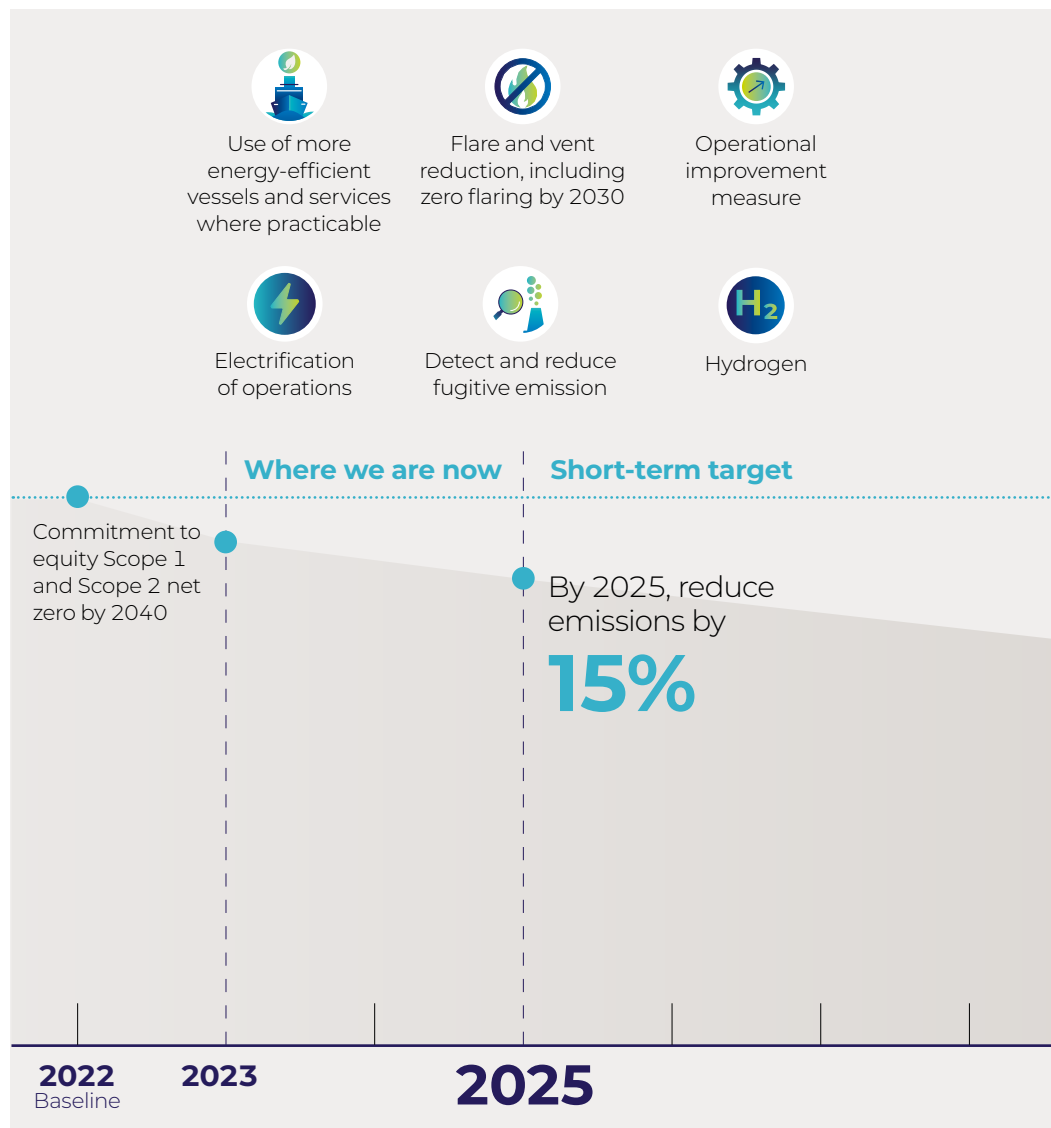
- Power generator rationalisation and fuel substitution of diesel for clean-burning gas progressing.
- Electrification of BED area with completion in 2024.
- Exploring feasibility for installation of waste heat recovery units at Obaiyed Central Processing Platform.
- Flare gas recovery and optimization activities at AESW.
- Assessing methane monitoring solutions. The JV partner have purchased a FLIR GFX320 camera to integrate fugitive screening into regular maintenance.

Sequester

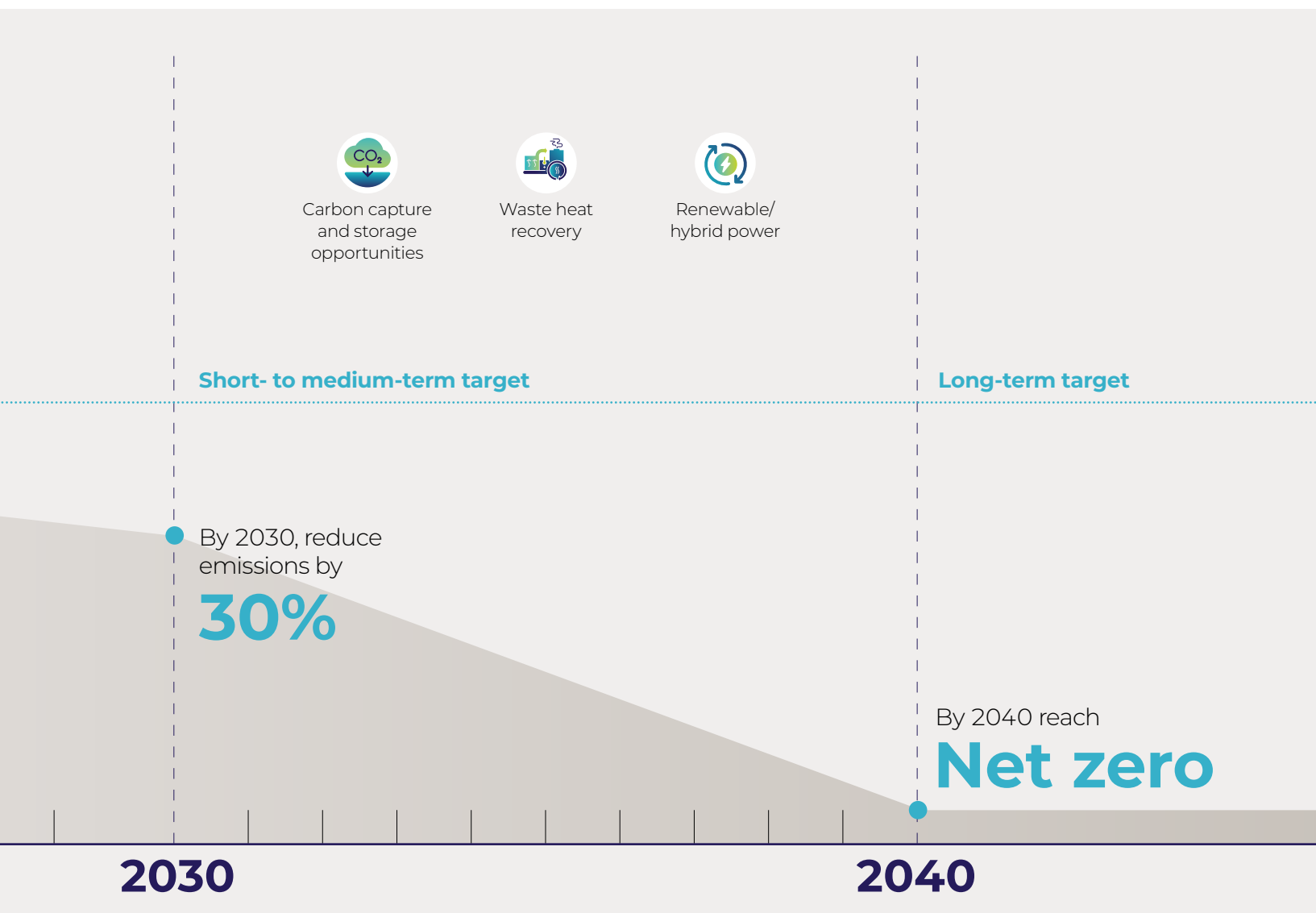
The JV completed a technical feasibility study to identify candidate subsurface storage sites at our BED and Obaiyed concessions.

Offset

Capricorn has a portfolio of high quality carbon offsets.



Type	Climate-related opportunities	Capricorn's response
Products and services (short to medium term)	Development and/or expansion of low emission goods and services (short term).	To minimise energy use in drilling operations and associated activities without compromising safety or cost, we assess the fuel consumption of rigs, vessels and helicopters as part of the tender process. Lower energy consumption – and therefore emissions – could provide a point of differentiation if other technical and commercial considerations are comparable. We have already trialled this approach when tendering vessels for geophysical and geotechnical survey work in the UK and (since exited) Mauritania. We will strive to align our supply chain products and services with our own emission reduction target of net zero by 2040.
Resource efficiency (short to medium term)	Use of more efficient production and distribution processes (short to medium term).	We seek to continuously improve the performance of our operating assets, reducing their carbon intensity, including elimination of flaring from our operations in Egypt.
	Use of recycling (short term).	We work internally to reduce our carbon footprint within our office environment, for example paper consumption and recycling.
	Move to more efficient buildings (short term).	We have relocated to a smaller open-plan office, which is considerably more efficient at distributing heat.



RESPONSIBLE BUSINESS CONTINUED
TCFD REPORTING CONTINUED

Strategy continued

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Capricorn is fully incorporating climate change-related risks into its investment decision-making. Our capital allocation decisions are made using rigorous planning assumptions, informed by climate change and energy transition scenario analysis. We carefully consider the environmental performance of assets and opportunities as part of our screening process, underpinned by our net zero commitment. This commitment also drives our decarbonisation strategy in Egypt, as described in the tables on page 28.

All new oil and gas opportunities are screened at gas price (adjusted for certain regional markets). We also consider a range of other scenarios as part of our opportunity screening process. We apply carbon prices

across all our scenarios. For countries that already have an established carbon pricing mechanism – such as the EU and the UK – we use carbon prices of \$100/tCO₂e and \$110/tCO₂e by 2030, respectively. For other regions, where regulatory carbon pricing mechanisms are not currently applicable, we use our internal carbon pricing assumptions, starting at \$33/tCO₂e in 2024, rising to \$50 tCO₂e in 2030.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The TCFD recommends the use of scenario analysis in disclosure of climate-related risks and opportunities. Scenario analyses aligned with the TCFD framework help companies explore different futures and the implications of climate-related circumstances on business strategy. The findings of the recently conducted scenario analysis exercise, which tested the resilience of Capricorn's Egypt

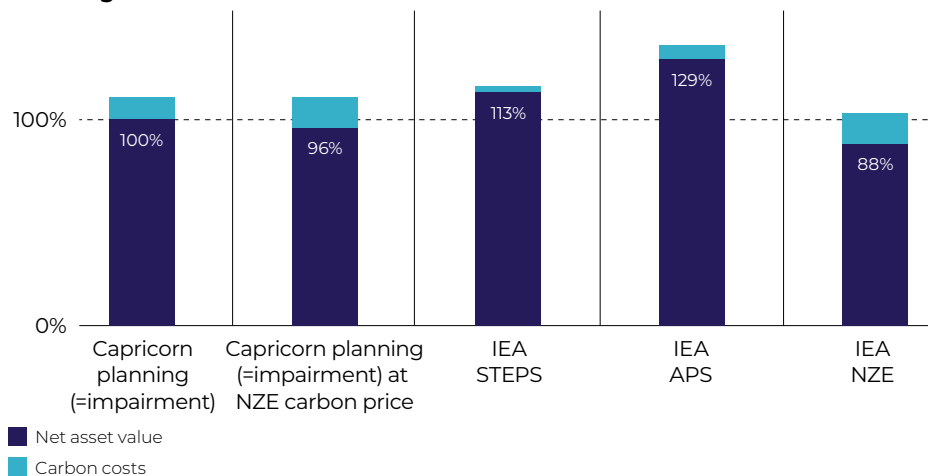
portfolio against IEA's STEPS, APS and NZE scenarios, showed that our assets will generate value in the most ambitious climate scenario, aligned with a 1.5 degree warming. This gives us confidence that our valuation and planning assumptions are robust and that we will continue to create value for all key stakeholders – even in the most aggressive carbon reduction scenario.

Capricorn's assumptions used for our financial planning and balance sheet impairment testing include \$65/bbl. (flat) oil price (long term, inflated at 3% from 2027) and carbon prices of \$33/tCO₂e in 2024, rising to \$50/tCO₂e in 2030. Carbon prices were applied to Scope 1 and 2 emissions from Capricorn's Egypt operations.

The scenario analysis shows that our Egyptian production portfolio, when modelled using IEA's NZE carbon prices, delivers 96% of the value we drive from our financial planning purposes. Capricorn's portfolio outperforms our Planning scenario by 29% in the Announced Pledges Scenario (APS) and 13% in the Stated Policies Scenario (STEPS).

IEA scenarios are modelled using IEA's assumptions associated with each of the scenarios. IEA scenarios: STEPS assumes policies and targets announced by governments are enacted and estimates an average temperature rise of 2.7°C (up to 3.3°C). APS sees an accelerated transition to a low-carbon world and projects a 66% chance to limit temperature rise to 1.8°C and a 50% chance to limit it to 1.65°C. NZE scenario is aligned with the Science-Based Targets Initiative, limiting the global warming to 1.5°C by 2100 compared to pre-industrial levels.

Egypt: Asset Value relative to Capricorn Planning Case Net Asset Value, including Carbon costs



Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Capricorn's principal metrics and targets used to assess and manage climate-related risks and opportunities are presented in the table below.

TCFD recommended disclosures	Risk and opportunity	Targets/metrics
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Transition and physical risks, including policy, market and long-term chronic effect of global warming. Opportunity to invest in clean projects, with carbon pricing risk-adjusted returns fully recognised. Participation in carbon market. Improved resilience of the existing portfolio.	<p>For carbon prices within the voluntary market, we use \$33/tCO₂e in 2024, rising to \$50/tCO₂e in 2030 as our base case.</p> <p>For emissions, we measure progress against our 2022 baseline.</p> <ul style="list-style-type: none"> – Monitoring of energy demand indices (e.g IEA). – Remuneration Policy with embedded climate-related targets, page 80. – Pro-active engagement with our employees to increase awareness and help deliver net zero, page 23. – Key assumptions: commodity prices for opportunity screening and financial planning, pages 30 and 41. – Carbon price, page 30. – Internal and JV budget tracking and monitoring for products and services.
	Rising water stress, including conflicting uses and availability.	<p>Aqueduct water-risk atlas – Egypt identified as high-water stress area.</p> <p>Capricorn's environmental impact, pages 18 to 22.</p>
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Measurement and disclosure of GHG emissions from Scope 1, 2 and 3 help emissions management and creation of a clear pathway to net zero. Risks include exposure to carbon price due to changes in policy, as well as significant reputation risks if emissions are not managed.	<p>Equity Scope 1 and 2 net zero by 2040 with interim targets of 15% by 2025 and 30% by 2030, page 22 and Data Tracker on our website.</p> <p>Scope 1 and Scope 2 emissions for 2023 and trends on an operational and equity basis are outlined within our Data Tracker.</p> <p>We have undertaken further definition and reporting of our Scope 3 emissions to include emissions from categories 1, 3, 4, 5, 6 and 7 (operated) and 9, 10 and 11 (equity), for further details please see our Data Tracker.</p> <p>TCFD climate-related risk and management, pages 24 to 29.</p>
		<p>Climate-related KPIs, which are assessed as being strategically important to the Group, are annually set by the Board. Targets are typically linked to emissions reductions and environmental reporting risks and opportunities.</p> <p>Equity Scope 1 and 2 net zero by 2040 with interim targets of 15% by 2025 and 30% by 2030, page 28.</p> <p>Flaring and planned progress, page 21 and Data Tracker on our website.</p>
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Summary of targets aimed at helping achieve our net zero strategic goal. Given the dynamic nature of Capricorn's portfolio, we will use 2022 as a baseline year on the journey to carbon neutrality.	

A Responsible Approach to People



The reporting year involved significant change at Capricorn Energy and, sadly, the need to make many roles redundant in order to right-size the business for the future.

Our primary concern was to extend all the support we could, both emotional and practical, to these people who were affected. We then set about instilling a sense of togetherness in our newly formed, right-sized enterprise, built on the priorities of health and safety, fairness, inclusion and opportunity.

Business principles

- We develop the potential of our people.
- We foster a workplace that respects personal dignity and rights, is non-discriminatory and provides fair rewards.
- We provide a healthy, safe and secure work environment.

In 2023, the following people issues were identified as being of high materiality:

- workplace safety and security;
- diversity, equality and inclusion;
- health and well-being;
- talent management; and
- learning and development.

See our Materiality Matrix online: www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Revised our project delivery process with improved integration of HSSE elements within the Wells Project Management Procedure.
- Implemented an HSSE management system roadmap for our in-country team in Cairo.
- Established a system to track social investment across the Group that helps deliver a positive impact on the communities with which we work.
- Implemented an enhanced incident reporting system across the Company and provided training to users.
- Reviewed our security guidelines against the latest ISO standard, assessed information sources and providers to identify potential improvements, and updated our Business Continuity Plan.
- Revised our technical competencies project and strengthened links to our Corporate Major Accident Prevention Policy.

- Reviewed and updated our corporate policies to ensure alignment with latest legislation and clarity of messaging.
- Revised our contractor assessment criteria in relation to emissions, energy efficiency objectives and our net zero targets.
- Set improved contractor HSSE leadership expectations, including revised KPIs.
- Aligned our scoring mechanism for contractor HSSE evaluations with IOGP methodologies and achieved our stretch target for 2023.



For more details, see our website: www.capricornenergy.com/working-responsibly

Workplace safety and security

Safety is a non-negotiable priority.

No practical or commercial consideration is ever permitted to override the safety and well-being of our people, our contractors or communities. We work to the highest international standards; indeed, our own safety requirements often exceed those that local law may demand.

Partners in safety

In 2023, as operator of three exploration blocks in the Western Desert, we safely drilled three exploration wells through our JV partner on the South Abu Sennan (SAS) and South East Horus (SEH) concessions.

We worked closely with our Partner to bridge HSSE documents and systems, and conducted a test emergency response exercise successfully. The well campaign was conducted safely, clocking more than 250,000 recordable hours on operations, with no lost time incidents. We provided 150 hours of training in the IOGP's Life Saving Rules to all contracted rig workers during our exploratory wells training, and 40 hours of first-aid training to staff based in our Egypt office.

Desert risks

In Egypt, where working in the Western Desert brings a particular set of issues to address, good communications, vital for safe operations and for crisis-readiness, are secured by satellite telephony.

Driver training is essential – indeed, the greatest safety risk we face isn't at our sites, but due to poor road/track conditions and variable road safety standards. The JV ensures that all professional drivers have received defensive driver training. All trips outside Cairo require an approved Journey Management Plan and there is a strict no night-driving policy. In addition, all off-road

journeys must be completed in a vehicle with roll-bars.

More widely, we perform risk assessments for staff when travelling on business, focusing on areas such as healthcare and any required inoculations, the safety of female travellers, security alerts and natural disasters. Our intranet provides a wealth of information for colleagues, drawn from long and first-hand experience.

Safety in 2023

With more than 377,000 man hours recorded throughout the year, zero restricted work day cases and zero lost time injuries in our operated assets, our occupational safety performance exceeded our target, which was set using the IOGP benchmarks. We recognise the significant contribution of our JV, Bapetco, in executing the drilling campaign on our behalf. Three exploration wells (Saqr-1 and Seman-1 in the SAS concession, and Sayadeya-1 in the SEH concession) were successfully completed with zero injuries or spills.

On 14 January 2024, a road traffic incident occurred which tragically resulted in the death of two employees of one of Bapetco's contractor companies. The incident occurred during transit to the BED-3 area. Capricorn offers its deepest sympathy to the family, friends and colleagues of the individuals. An investigation into the cause of the incident is ongoing.

2024

In 2024, Capricorn will continue its non-operator role across our Egypt asset base. Nevertheless, we will continue to:

- ensure HSE and zero harm is a priority for all our staff and contractors;
- advise, monitor and act on all aspects of in-country HSSE from our Cairo office;
- conduct monthly HSSE meetings with our partner, Cheiron;

- review all HSSE reports and discuss progress and concerns;
- address the challenges of aligning with IOGP requirements; and
- conduct half-yearly and annual audit and inspections against international safety standards for all operational sites.

Diversity, equality and inclusion (DE&I)

Our diversity and inclusion strategy aims to nurture an inclusive and sustainable culture. We encourage, embrace and recognise our differences as being key drivers of value for all our stakeholders. The Board is committed to ensuring that this inclusive culture is embedded in our organisation.

Our workforce is inherently culturally diverse, given that we are headquartered in Scotland and with a satellite office in Egypt. But more widely, we believe that a strong mix of backgrounds, genders, ages and lived experiences only enriches our business and makes Capricorn a better place to work.

Our commitment to DE&I also reaches beyond the physical boundaries of our business, respecting and contributing to, the Egyptian communities and societies where we are privileged to work. We reflect their values and perspectives in our social investment decisions and practices.

In 2023, the Company went through transformational changes and the challenging task of making a considerable number of our roles redundant. The process was conducted in full consultation with our Employee Representative Group, and we ensured that everyone affected could access support and counselling through our employee assistance and outplacement programmes.





Our DNA

Our business has three inherent characteristics that remain as constants in a period of flux and corporate change.

Our culture

We nurture a diverse and inclusive culture where everyone can uniquely contribute and thrive. It values and encourages individual differences, unleashes the potential of our talent and flourishes under the collective strength and value that diversity brings.

Our people

We celebrate our individual differences, which make us stronger, more insightful and better placed to succeed. We reach out across all our communities to attract, develop and retain the very best talent.

Our communities

Wherever we work, we are privileged to be there. We respect the values of our communities, seek to be good and thoughtful neighbours, and strive to contribute through our social investment decisions and actions.

Health and well-being

It has always been a priority to focus on the health and well-being of people at Capricorn. In 2023, with our transformation and redundancy programme, this became even more important.

We ran tailored support and communications throughout the reorganisation programme to support everyone's mental health and how to cope with change.

We also gave a greater emphasis and opportunities to socialise across the business, recognising the positive impact that social interaction and strong working relationships have on mental health.

Encouraging a sense of togetherness at a difficult time also led us to rethink our hybrid working patterns. We increased the frequency of attending the office in person to four days a week and found that colleagues recognised the need for this change and fully embraced it.

The new Edinburgh headquarters is also designed to play its part in this goal. With its open-plan layout and co-working atmosphere, it encourages collaboration and gives the sense of belonging to a tight-knit team.

In 2023, we also:

- paused our Health & Wellbeing and Have your Say programmes. Both were designed for the original business, but the needs they addressed will be met in newly developed ways in 2024; and
- restructured our EVF to represent the new leaner organisation across the UK and Egypt. The forum gives our people direct access to the Board: there are two meetings each year, chaired by a Non-Executive Director, at which we discuss colleagues' concerns, ideas and suggestions. The main themes explored in 2023 included the reorganisation and the short- and long-term strategy for the business.

Case study

Al Amal Graduate Programme – welcoming the next generation

The challenge

As in other industries, the oil and gas sector needs to find and train the next generation of talented professionals to ensure its future. Even so, it is a sector that is hard to access, with graduates pursuing a limited number of opportunities.

The Al Amal (from the Arabic word meaning 'hope') graduate training programme is an initiative developed by the Egyptian Petroleum Exploration Society and the Egyptian Geophysical Society. Targeted at Egypt's top Geoscience graduates – shortlisted based on performance under test/ interview conditions – the programme supports them to develop their technical knowledge and interpersonal skills, increasing their opportunities in a highly competitive industry.

**Our contribution**

Since Capricorn's initial involvement with Al Amal in 2021, the programme has helped more than 120 graduates to pursue a career in a sector that has a vital role to play. Capricorn is proud to be a top-level Platinum Sponsor of Al Amal, which entered its 15th round in 2023.

The programme adds an important practical dimension to the mainly theoretical nature of a degree through its hands-on and immersive approach, offering sector-specific courses and field trips to develop an understanding of the exploration/production cycle.

The programme enables graduates to:

- participate in field assignments, such as seismic programmes;
- explore AI applications, seismic interpretation, regional geology and much more; and
- take part in a lecture series delivered by oil and gas professionals.

Additionally, Capricorn offers an internship programme, creating a further opportunity for students to gain some real-world energy experience. In 2023 Capricorn welcomed two Al Amal graduates as interns in our Egypt office to work on exploration and development project evaluations.

Talent management

In 2023, our talent management strategy continued to focus on three overarching strands:

- growing our talent through active succession planning and mentoring;
- delivering leadership, management and development programmes; and
- providing support through annual objectives and development plans.

As part of restructuring the organisation, we promoted 13 colleagues into new or materially different roles and recruited 10 new colleagues to the business. Each successfully went through our robust onboarding process that highlights our expectations of them, and the available rewards and benefits opportunities.

Delivering on our strategy and achieving sustainable results are only possible thanks to the skills, experience and passion of our people. Our employee processes are underpinned by our values of building

respect, nurturing relationships and acting responsibly, as well as our high performing behaviours. We regard proactively managing and empowering people to reach their full potential as key to business success.

We have embarked on 2024, our first full year as the new right-sized organisation, by focusing on identifying any gaps, succession contingency planning, and embedding our new environment and culture to make our company a great place to work.

Learning and development

Providing our people with learning opportunities is essential to meeting the highest standards and making our business more successful.

We give each colleague a personal learning 'budget' to help them to fulfil their potential, deliver our objectives and meet the changing demands of our industry.

Typically, Capricorn offers development opportunities through e-learning and classroom training, as well as seminars and conferences.

However, due to the reorganisation during the year, training opportunities were limited to mandatory training courses such as Anti-bribery and Corruption (ABC) and Preventing the Facilitation of Tax Evasion, both delivered internally.

These gave our colleagues a better and essential understanding of our processes and procedures, as well as covering important governance, regulatory and security topics.

A Responsible Approach to Society



We seek to make a positive difference to society, investing in efforts to support economic and community development. We never forget that it is a privilege to work in any host country, and with its people and communities.

At the same time, we recognise that we must manage and mitigate any potential risks and impacts associated with our activities to support the communities that may be affected by our operations. Respecting and protecting human rights across our operations is a fundamental part of our integrated approach.

Business principles

- We seek to make a positive social impact in every area where we operate by working ethically and with integrity.
- We respect and promote the human rights of individuals, communities and indigenous peoples.
- We acknowledge the aspirations and concerns of the communities in which we work.

In 2023, the following societal issues were treated as being of high materiality:

- safeguarding human rights;
- supporting and safeguarding local communities; and
- investing in local skills, recruitment and procurement.

See our Materiality Matrix online: www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Applied human rights guidance in planned operations, including the availability of transparent grievance procedures.
- Implemented new social investment projects and carried out scoping for potential projects across the Group.
 - Supported and sponsored the Al Amal Graduate Programme to develop the skillsets of new graduates to better meet industry needs in addition to hosting two graduate internships.
 - Delivered a social investment project supporting local communities in Galala and Swani Samalos villages in the Matrouh Governorate in partnership with EGPC and the Al Orman Association, and supported by the Egyptian Ministry.
 - In Suriname, we continued to support the Natin Institute with building renovation and classroom equipment, as well as progressing the second phase of the mangrove rehabilitation programme in affiliation with the Anton de Kom University.



For more details, see our website: www.capricornenergy.com/working-responsibly



During 2023, respecting and protecting human rights across our operations remained a fundamental part of our approach.

We progressed our social investment projects in Suriname and launched our flagship CSR programme in collaboration with our partner and EGPC, supporting our neighbouring communities.

We also invest in young local talent, buy from local suppliers, and always ensure that workers' rights are respected and upheld.

Safeguarding human rights

In all our business dealings, hirings and practices, respect for human rights is an unshakable guiding principle.

We adhere to all internationally recognised human rights conventions and support the tenets of the Universal Declaration of Human Rights (UDHR).

Upholding these rights, and being alert to the risks that threaten them, demands both constant vigilance and effective communications to every colleague.

Moreover, we require that the same principles govern the actions of our suppliers and reserve the right to audit their policies and working practices.

Our Human Rights Guidelines

In addition to the UN UDHR, we take our guidance from:

- the UN Guiding Principles on Business and Human Rights;
- the International Finance Corporation Performance Standards; and
- the International Organization for Standardization ISO 26000 Guidance for Social Responsibility.

These bodies inform our own Human Rights Guidelines, which define how we identify, assess and manage potential issues. The guidelines include a five-step process, which has been incorporated into our Capricorn Management System. Our overall position on human and labour rights is summarised in our CSR policy and our Code of Ethics, both of which are published on our website.

Modern slavery

The Company has zero tolerance of any aspect of modern slavery and human trafficking. We forbid the employment of forced, bonded or child labour, and take every reasonable step to ensure these practices are non-existent anywhere along our supply chain.

For absolute clarity among our colleagues, partners and suppliers, we set out our position in our Modern Slavery Statement, published on our website¹. This content is also a compulsory component of the e-learning training modules of the Capricorn Learning Academy.

Our colleagues are the key line of defence of human rights when procuring or working with suppliers and JV partners. We equip them to know what to look for, what to ask and the steps to take in the event of any suspicion of wrongdoing.

We also gather intelligence from sources such as Human Rights Watch, the Global Slavery Index, the Corruption Perceptions Index and the US Trafficking Victims Protection Act.

(1) www.capricornenergy.com/services/modern-slavery-statement/

Supporting and safeguarding local communities

We are proud to support the people and communities in the Western Desert that live close to our assets.

In 2023, this took meaningful shape with our social impact project, which we launched in two villages close to our exploration operations. This flagship project, working alongside our partners EGPC and the Ministry of Petroleum, and backed by a \$240,000 investment, is the result of a detailed needs assessment of two local villages: Swani Samalos (population 6,000+) and Galala (population 17,000+).

Based on these findings, we were able to advance plans designed to deliver the maximum impact and value over five key areas:

- rainwater harvesting wells;
- medical convoys;
- veterinary convoys;
- income generation; and
- vocational training.

These initiatives are being rolled out in phases and we are exploring how to extend the programme’s reach to a further village in 2024.

Case study

Supporting local communities in the Western Desert

The Western Desert is a remote and harsh environment, which presents challenges for communities who are mostly reliant on subsistence agriculture, do not have access to mains water supply and are without any local healthcare provision.

As part of Capricorn’s CSR to support its operational activities in the Western Desert, Capricorn developed and implemented a Social Impact assessment study, Stakeholder Engagement Plan, and Social Needs Assessment for Communities, that have been identified as proximal to one of our operated concession areas.

Capricorn Egypt engaged with the identified local communities and their community elders over the course of several meetings to explore how best Capricorn could offer support. This deep engagement with the local communities led to the development of a comprehensive social investment plan with input and support from the Ministry of Petroleum, the EGPC, the Matrouh Governorate, and the Al Orman NGO Association.

What we’ve provided

In 2023, Capricorn Egypt embarked on a flagship CSR project, investing \$240,000 to implement the wide-ranging social investment plan focused on the two villages of Swani Samalous and Galala.

KPIs included funding 12 medical convoys to bring essential healthcare to the identified local communities. Medical convoys offered examinations, medication, radiology, blood tests and other essential services.

During 2023, medical care from these convoys was provided to more than 2,000 people from the Swani Samalos and Galal communities.

Furthermore, our funding enabled the construction of 100m³ rainwater harvesting wells, 30 in Galal and 18 in Swani Samalous to improve the community’s drought and famine resilience.

The local communities of Galala and Swani Samalous are mostly supported by subsistence farming; therefore the developed social investment plan also included the donation of 50 livestock and the construction of 10 pigeoncotes, in addition to the provision of 12 veterinary convoys, providing an opportunity for locals to bring in their livestock to receive veterinary care and vaccinations.

To enhance the longer-term sustainability of the project, we give vocational training on how to maintain the donated rain harvest wells in addition to basic veterinary care for livestock.

Capricorn’s CSR investment is aligned to the below UN SDGs as per the Paris Agreement.

The project continues to receive our support and we hope to extend the programme to a further village in 2024.



Investment in local skills, recruitment and procurement

At Capricorn Energy, we are benefitting from the talent of many professionals whose skills were first nurtured by others supporting the future of our sector.

In recent years, we have been proud to return the compliment: Capricorn is a Platinum Sponsor of the Al Amal Graduate Training Programme, a long-established and respected scheme run in Cairo that commenced its 15th round in 2023.

The programme is designed for Egyptian graduates in geosciences to bridge the gap between academic learning and industry experience, and to help students compete for jobs locally and globally within the oil and gas sector.

This is achieved through sector-specific courses and field trips to develop an understanding of the exploration/production cycle and by providing opportunities to develop more personal skills such as English and CV writing. It is also hands-on and immersive, adding an important practical dimension to the mainly theoretical nature of a degree.

As one of the corporate hosts of this nine-month programme, Capricorn's sponsorship enables graduates to:

- take part in a lecture series delivered by oil and gas professionals;
- participate in field assignments, such as seismic acquisition programmes; and
- explore AI applications, seismic interpretation, regional geology and more.

Additionally, Capricorn Egypt offers an internship programme for successful graduates of the Al Amal programme. In 2023, two graduates benefitted from internships in our subsurface team, where they assisted with evaluation projects on both exploration and development targets. At a time when graduates are pursuing a limited number of roles in the sector, we are glad to help a talented few gain real-world energy experience.

Case study

Our social contribution in Suriname 2023

NATIN Renovation project and asbestos removal

During 2023, Capricorn supported the urgent renovation works of a classroom block within the Institute for Natural Resource and Engineering Studies (NATIN), in Suriname. The proposed scope of work included an internal and external refurbishment of the classrooms, including the procurement of a new roof and guttering rainwater drainage system, the current being the cause of significant water ingress and damage.

Asbestos was identified by contractors sponsored by another oil and gas company, who are also supporting the redevelopment of the Natin Institute. The asbestos discovery triggered a full site assessment of the institute's buildings with a prioritised removal plan. Capricorn therefore opted to split its CSR contributions to prioritise the removal of asbestos from NATIN's premises. After completion of the asbestos removal, Capricorn's remaining CSR contributions will go towards part funding the renovation and replacement of the multi-storey classroom block.

NATIN equipment upgrade phase two

As part of Capricorn's ongoing support of NATIN, funding was also provided to allow the provision of up-to-date curricular material in addition to a range of classroom-based educational and health and safety equipment.

Mangrove rehabilitation phase two

For the last three years, we have worked with Suriname's Anton de Kom University on a major mangrove rehabilitation project. This is designed to protect a section of coastline just north of Paramaribo that is particularly at risk from rising sea levels and erosion.

We have been progressing a second phase of the project in collaboration with a local international oil company, with combined investment of around \$150,000. The project enables a hands-on case study for students to learn the concepts of hydrogeology and coastline ecosystems, in addition to experiencing the challenges and importance of protecting local communities and infrastructure from increasing sea levels and storm surges. We have also supported the project with remote sensing data and satellite imagery to monitor the rehabilitation over time, and to inform future mangrove planting.



RISK MANAGEMENT

Successful and sustainable implementation of our strategy requires strong corporate governance and effective risk management. We deliver this through a comprehensive framework of business policies, systems and procedures that enable us to assess and manage risk effectively.

Managing business risks

Managing existing and emerging risks and opportunities is essential to Capricorn's long-term success and sustainability. All investment opportunities expose the Group to political, commercial and technical risk and Capricorn maintains exposure to these risks at an acceptable level in accordance with its appetite for risk.

As in previous years, Capricorn's risk management process is based on a holistic approach and provides a systematic process for the identification and management of the key risks and opportunities which may impact the delivery of the Group's strategic objectives. KPIs are set annually and determining the level of risk the Group is willing to accept in the pursuit of these objectives is a fundamental component of Capricorn's risk management framework. As outlined below, this integrated approach to the management of risk and opportunity plays a key role in the successful delivery of the Group's strategy.

Capricorn's system for identifying and managing risks is embedded from the top down in its organisational structure, operations and management systems, and accords with the risk management guidelines and principles set out in ISO 31000, the International Standard for Risk Management. The Group's risk management structure is set out below. This framework for risk assessment applies to all risk types including operational, health and safety, environmental, financial, strategic and reputational.

In 2023, the Board completed a robust assessment of the Company's emerging and principal risks.

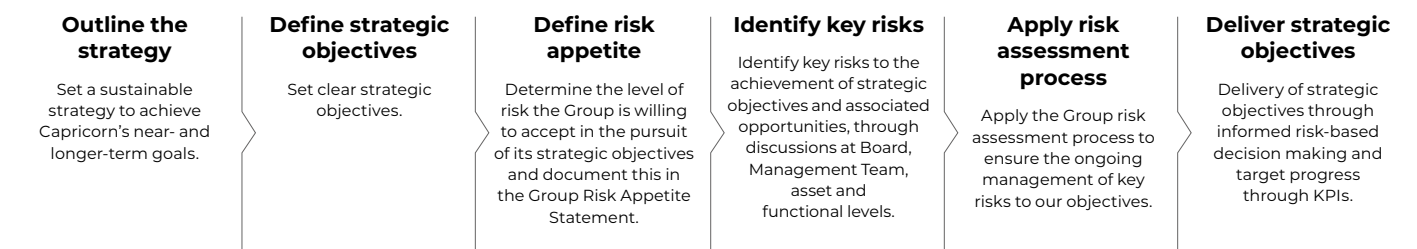
Risk governance

Overall responsibility for the system of risk management and internal control rests with the Board. Principal risks and opportunities, as well as progress against key projects, are reviewed at each Board meeting.

The Group's framework for risk management promotes a bottom-up approach to risk management with top-down support and challenge. The risks associated with the delivery of the strategy and work programmes, and the associated mitigation measures and action plans are maintained in a series of risk registers at Group, country, department and project level. Reporting of these risks within the organisation is structured so that risks are escalated through various internal management and Board committees, and to the Board itself.

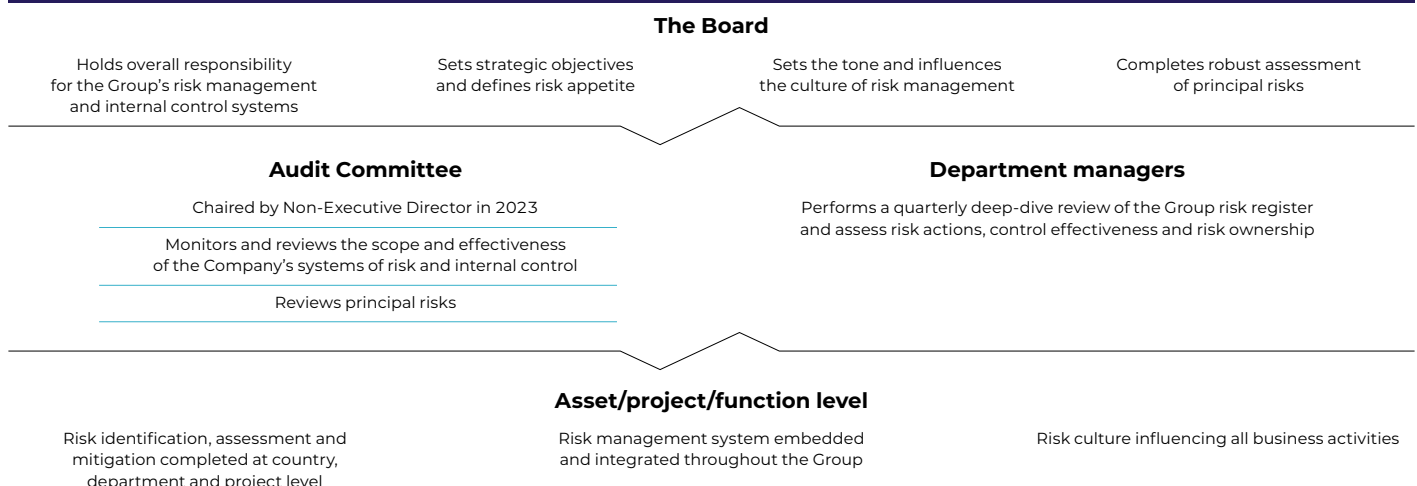
At the third line of defence is the co-sourced internal audit function which provide assurance on the effectiveness of our risk management process and other key controls to the Board and its Committees.

Group's risk management framework



Risk governance framework

Top-down: Oversight, accountability, monitoring and assurance



Bottom-up: Identification of risks and mitigating actions for assets, projects and functions

VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group over a period longer than the 12-month period required for its Going Concern assessment.

Period of assessment

The Directors have assessed the viability of the Group over a three-year period to March 2027. In selecting the length of period over which to assess viability, the Board has considered the following:

- The Group's financial outlook is assessed primarily through its business planning process. At least annually the Board considers the Group's business plan and cashflow projections over a three-year period.
- Key assumptions which underpin the Group's internal forecasts include forecast oil prices, production profiles, forecast cost levels for drilling and operations, and availability of debt under the Group's borrowing facilities. The Board considers that most significant risks to the business are shorter term in nature, in particular those associated with asset performance and recoverability of receivables, volatility of commodity prices and availability and repayment of debt under the current facilities.
- The Group's longer-term work programme is in part dependent on resolution of the receivables issue in Egypt and optimisation of capital allocation across the non-Egypt business.

Consequently, the Board has determined that three years is the appropriate period over which to assess the Group's viability.

Principal risks

The Directors have considered the impact of the principal risks of the business on the Group's financial viability over the assessment period as well as the mitigation strategy in respect of those risks. While all of the risks could potentially impact performance, the principal risks and uncertainties that are considered to affect the Board's assessment of the Group's financial viability in this period are:

- agreement of a payment plan with EGPC to resolve the trade receivables due;
- operational performance of producing assets in the UK and Egypt;
- the effect of volatile oil and gas prices on the business, on our partners, and other stakeholders' financial positions;
- a lack of availability and/or increased cost of debt facilities to execute our strategy, and
- resolution of the Senegal tax assessment.

Financial forecasts

The Group's base case financial forecasts are based on the following key assumptions that reflect the principal risks as follows:

- Production profiles and expenditure forecasts on an asset-by-asset basis based on the Group's business plan in the UK and no further activity in Egypt;
- Forecast oil prices in line with the 2-year forward curve and \$65/bbl thereafter;
- Egypt trade receivables settlement forecasts based prior year receipts;
- Forecast availability and repayments of debt based on current position of redetermination process in respect of the RBL facility as well as the current amortisation schedule.

Further sensitivity analysis is also assessed around the base case, reflecting a more severe impact of the principal risks, both individually and in aggregate as follows:

- Lower crude oil prices, with both a sustained low oil price scenario of 20-25% of the base case as well as a more severe oil price crash case with a subsequent recovery modelled separately within the assessment period;
- A 10% reduction in forecast production volumes for the first half of the assessment period and 5% thereafter; and,
- Other downside assumptions in respect of Senegal tax demand settlement.

The Group has considered two main downside scenarios:

- A sustained period of lower oil prices of 20-25% lower than the base case with all of the other sensitivities assumed to occur simultaneously and in aggregate; and,
- A more severe oil price crash scenario assumed to occur in the current year, with prices dropping to \$40/bbl and then recovering over a period of 18 months, combined with a 10% reduction in production and downside sensitivities in respect of contingent consideration receipts and Egypt trade receivables settlements.

Taking this into account, in each of these combined downside scenarios the Group is forecasting sufficient financial headroom throughout the assessment period for the business outside Egypt. Without a payment plan to resolve the Egypt receivables issue, the Group's Egypt business is not viable and the assets are at risk of impairment.

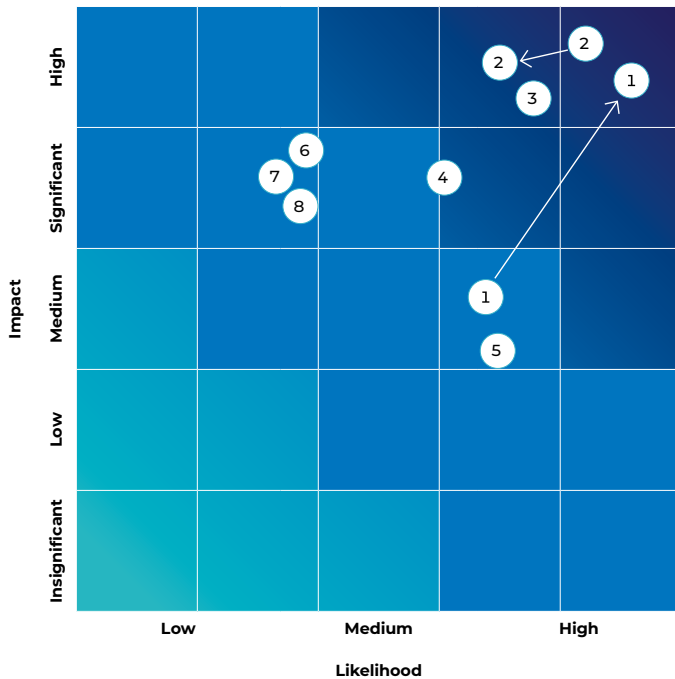
Conclusion

The Directors' assessment of viability is based on the Group's current position, prospects, and the principal risks and uncertainties affecting the business. As part of this analysis the Directors have also considered mitigations that could be deployed to increase headroom although not required in either of the main downside scenarios tested.

Based on this analysis, the Directors' have a reasonable expectation that the Group can continue in operation and meet its liabilities outside of Egypt as they fall due over the three-year period to March 2027. The Board have therefore approved the Viability Statement as well as the preparation of the financial statements on a going concern basis.

PRINCIPAL RISKS TO THE GROUP IN 2023-2024

The following pages provide a summary overview of the principal risks to the Group at the end of 2023, the potential impacts, the mitigation measures, the risk appetite and the KPIs or strategic objectives the risks may impact.



Risk	Viability
1 Increasing EGPC receivables balance	Y
2 Volatile oil and gas prices	Y
3 Failure to replace long-term reserves and resources	Y
4 Underperformance of Egypt assets	Y
5 Political and fiscal uncertainties	Y
6 Future challenges and costs as markets transition to Net Zero	
7 Lack of adherence to health, safety, environment and security policies	
8 Breach of Group Code of Ethics	

The financial impact criteria metrics were amended during 2023 to reflect the current market capitalisation of the company. This has influenced what risks qualify as principal risks. The arrows denote the change in the risk during 2023 in the matrix.



Emerging risks

Within the Group's risk assessment framework, emerging risks are considered as part of the identification phase. These are risks that cannot yet be fully assessed, risks that are known but are not likely to have an impact for several years, or risks which are unknown but could have implications for the business moving forward.

Macroeconomic exposures in Egypt and the impact they could potentially have on Capricorn has been identified as an emerging risk. Capricorn's concessions in Egypt are the Group's primary revenue generating assets and any material political or fiscal country destabilisation could potentially disrupt or, in the extreme, immobilise the Group's Egyptian operations.

Strategic objective: Financial performance

Principal risk

Increasing EGPC receivables balance

Owner: Chief Financial Officer
(CEO prior to appointment of CFO)

Risk appetite

Low – The Group faces an uncertain economic and regulatory environment in some countries of operation. The Group is willing to invest in countries where political and/or fiscal risks may occur, provided such risks can be adequately managed to minimise the impact where possible.

Impact

- Reduced capital availability leading to less drilling with impact on reserves and production
- Requirement for cash injections from existing funds
- Uncertain financial outcomes
- JV partner default on facility agreement and other agreements

Mitigation

Maintain positive relationships with governments.

Active and regular discussions with EGPC to agree payment schedules.

Partial payment in Egyptian Pounds where amounts can be immediately reinvested in the JV.

Other settlement mechanisms available.

2023 movement

This risk increased in 2023.

As at December 2023, the Company had \$168.7m in outstanding accounts receivable due from EGPC.

Discussions are ongoing with EGPC to agree 2024 payment schedules and other settlement mechanisms.

Egypt has never defaulted on oil and gas, and has always honoured payment obligations.

2024 KPI objectives

Work with partners and engage with EGPC in Egypt to address and improve the receivables position.

Principal risk

Volatile oil and gas prices

Owner: Chief Financial Officer
(CEO prior to appointment of CFO)

Risk appetite

Medium – Exposure to commodity prices is fundamental to the Group's activities; however, the Group manages its investment programme to ensure that a threshold economic return is delivered and the business model is funded even in sustained downside price scenarios.

Impact

- Reduction in future cash flow
- Reduction in contingent payment value
- JV partner capital constraints

Mitigation

Sensitivity analysis conducted to assess robustness of Group financial forecasts for funding plan.

Operators' cost initiatives delivering material cost reductions on development projects.

Plan expenditure within cash flow receipt forecast.

2023 movement

This risk decreased in 2023.

An underlying increase in demand, combined with below target supply from OPEC and continued tension over the Ukraine and Gaza crises, helped to maintain higher oil prices in 2023.

Oil price fluctuations are expected to continue in 2024 and this could materially impact on the cash flow from Egypt production as well as the value of the Senegal contingent payment.

2024 KPI objectives

Maintain sufficient headroom from existing sources of funds in all financial projections covering all currently committed and planned expenditure, including capital funds for exploration, appraisal, incremental development and production opex to ensure going concern.

Strategic objective: Financial performance continued

Principal risk

Political and fiscal uncertainties

Owner: Chief Executive Officer

Risk appetite

Medium – The Group faces an uncertain economic and regulatory environment in some countries of operation. The Group is willing to invest in countries where political and/or fiscal risks may occur, provided such risks can be adequately managed to minimise the impact where possible.

Impact

- Loss of value
- Uncertain financial outcomes

Mitigation

Operate to the highest industry standards with regulators and monitor compliance with the Group’s licence, production sharing contract and taxation requirements.

External specialist advice sought on legal and tax issues as required.

Maintain positive relationships with governments and key stakeholders.

Ongoing monitoring of the political and regulatory environments in which we operate.

Working responsibly is an important factor in maintaining our access to funding.

2023 movement

This risk remained static in 2023.

Egypt has experienced significant economic challenges in 2023, which led to the currency’s devaluation and an inflation spike. Capricorn’s primary revenue generating assets are based in Egypt and there is a risk that further political or fiscal challenges may impact on business activities, including further pressures on the receivables balance.

The Group also received a notification relating to the 2020 sale of its Senegal assets, claiming that a registration duty and capital gains payment should have been paid on the transfer to Woodside of our production sharing contract interests. Capricorn’s position remains that no Senegalese registration duty is payable, based on analysis at the time of the transaction, and will continue to vigorously defend its position on this matter. The Senegalese Tax Authority has agreed that real estate capital gains tax is not payable if a taxable gain has not been made. However, the Senegalese Tax Authority has not yet adjusted its claim to consider Capricorn’s historic base costs to recognise that Capricorn incurred a capital loss on its sale of its interests in the Sangomar field to Woodside.

2024 KPI objectives

Work with partners and engage with EGPC in Egypt to address and improve the receivables position.

Strategic objective: HSSE

Principal risk

Lack of adherence to health, safety, environment and security policies

Owner: Chief Executive Officer

Risk appetite

Low – The Group continuously strives to reduce risks that could lead to an HSSE incident to as low as reasonably practicable.

Impact

- Serious injury or death
- Environmental impacts
- Reputational damage
- Regulatory penalties and clean-up costs
- Physical impacts of climate change

Mitigation

Effectively managing health, safety, security and environmental risk exposure is the priority for the Board and Management Team.

HSSE training is included as part of all staff and contractor inductions.

Process in place for assessing an operator's overall operating and HSSE capabilities, including undertaking audits to determine the level of oversight required.

Business resilience and emergency response procedures and equipment are maintained and regularly tested to ensure the Group can respond to an emergency quickly, safely and effectively.

Third-party specialists in place to assist with security arrangements and travel risk assessments.

Leading and lagging indicators and targets developed in line with industry guidelines and benchmarks.

2023 movement

This risk remained static in 2023.

Operated activities, including well drilling, resulted in zero reportable regulatory spills to the environment and, for TRIR and LTIF, as reported in IOGP statistics, scores were better than the lowest number of all activity averages. There were no recordable spills above the IOGP level to the environment.

On 14 January 2024, a road traffic incident occurred which tragically resulted in the death of two employees of one of Bapetco's contractor companies. The incident occurred during transit to the BED-3 area. Capricorn offers its deepest sympathy to the family, friends and colleagues of the individuals. An investigation into the cause of the incident is ongoing. With ongoing non-operated activities in Egypt, the Group will continue to work with partners to responsibly deliver value for all stakeholders.

2024 KPI objectives

Lagging indicators

- To achieve zero LTIF and spills to the environment across the Group's operations.

Leading indicators

- Complete two safety leadership visits to Egypt assets and hold three safety workshops (two in Cairo, one in Edinburgh), led by a senior executive, to discuss HSSE and risk management.
- Complete two business resilience response training exercises.

Strategic objective: Production performance

<p>Principal risk</p> <p>Failure to replace long-term reserves and resources</p> <p>Owner: Chief Operating Officer</p>	<p>Risk appetite</p> <p>Low – Exposure to development, exploration and appraisal failure is inherent in accessing the upside potential of exploration projects. The Group invests in data and exploits the strong experience of Capricorn’s technical teams to mitigate this risk.</p>
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<p>Impact</p> <ul style="list-style-type: none"> – Inability to deliver group strategy – Reduction in share price – Reputational damage 	<p>Mitigation</p> <p>Highly competent team applying a thorough review process to prospects and development opportunities, and a team of geoscientists with a track record of delivering success.</p> <hr/> <p>Maturation of opportunities within existing fields.</p> <hr/> <p>Positive and regular engagement with operators and partners to share knowledge, offer support and exert influence.</p> <hr/> <p>Ongoing work to technically mature the unconventional potential.</p>	<p>2023 movement</p> <p>New principal risk.</p> <p>In 2023, Capricorn began a campaign of operated exploration drilling, initially targeting the SAS licence in the South of the Western Desert. The two wells drilled fulfilled the work commitments of the licence, and while they were delivered under budget and fully tested a number of play types on the fringe of the El Charadig Basin, they were unfortunately dry. The block is now in the process of being relinquished.</p> <hr/> <p>In the first half of 2023, an additional well was drilled in the SEH licence, the first of a minimum of two planned wells. This well was also dry and the focus now turns to the new 3D data acquired on the licence in 2022 to mature further opportunities for drilling.</p> <hr/> <p>Capricorn is working closely with the operator to assist it to focus on high-grading new well opportunities, deploying the appropriate scale of rig fleet to ensure effective exploitation of the asset base, and delivering the most efficient drilling campaign and optimised reservoir management.</p>	<p>2024 KPI objectives</p> <p>Through incremental development investment deliver an effective RCR in relation to annual WI production.</p> <hr/> <p>Work with JV partners to collaborate on development, production emissions and compliance objectives.</p> <hr/> <p>Further mature the unconventional play description across the BED and WEF concession areas.</p>
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Strategic objective: Production performance continued

Principal risk

Underperformance of Egypt assets

Owner: Chief Operating Officer

Risk appetite

Low – Delivering operational excellence in all the Group's activities is a strategic objective for the Group. The Group works closely with all JV partners to mitigate the risk and impact of any operational delay or underperformance. Therefore, the Group has a low appetite for risks, which may impact on operating cash flow.

Impact

- Delay or reduction in cash flow
- Reserves downgrade or impairment
- Cost/schedule overruns
- Negative impact on asset value
- HSSE incidents
- Reputational damage

Mitigation

Actively engage with all partners early to establish good working relationships.

Actively participate in operational and technical meetings to challenge, apply influence and/or support partners to establish a cohesive JV view.

Conduct independent economic analysis on all investment opportunities. Only vote in favour of those that meet Capricorn's requirements.

Actively monitor and look for wells and project delivery improvement opportunities, in liaison with our partner, and via our Bapetco secondees.

2023 movement

This risk remained static in 2023.

Production was impacted by operational challenges with system constraints and wells were impacted by the performance of the electric submersible pump system. In the second half of 2023, the Teen project came online from two wells, several months later than originally planned.

Further project delays and lower than expected contributions from new wells meant that 2023 WI production on a produced basis averaged 30,044 boepd for the year. This was below the low end of the original FY23 32-36,000 boepd guidance, largely impacted by timing of delivery of key projects at Teen and in the BED area, along with lower than expected contributions from new wells.

Capricorn is working closely with the operator to assist it to focus on high-grading new well opportunities, deploying the appropriate scale of rig fleet to ensure effective exploitation of the asset base, and delivering the most efficient drilling campaign and optimised reservoir management – all of which must be aligned with the rate of collections.

2024 KPI objectives

Deliver net WI production in line with public market guidance.

Deliver operating cost targets in line with public market guidance.

Through incremental development investment, deliver an effective RCR in relation to annual WI production.

Work with JV partners to collaborate on development, production emissions and compliance objectives.

Further mature the unconventional play description across the BED and WEF concession areas.

Strategic objective: ESG

Principal risk

Breach of Group Code of Ethics

Owner: Chief Executive Officer

Risk appetite

Low – Capricorn is committed to maintaining integrity and high ethical standards in all the Group’s business dealings. The Group has no tolerance for conduct, which may compromise its reputation for integrity.

Impact

- Fines
- Criminal prosecution
- Reputational damage

Mitigation

Business Code of Ethics and bribery and corruption policies and procedures.

Due diligence process and questionnaire developed for assessing potential third parties.

Annual training programme for all employees, contractors and selected service providers.

Financial procedures in place to mitigate fraud.

2023 movement

This risk remained static in 2023.

There were no reportable instances of fraud, bribery or corruption.

The Group has activities in countries deemed high risk for bribery and corruption, and a risk-based compliance programme will be implemented for all activities.

2024 objectives

Work with JV partners to collaborate on development, production emissions and compliance objectives.

Principal risk

Future challenges and costs as markets transition to Net Zero

Owner: Chief Executive Officer

Risk appetite

Medium – The Group recognises global commitments to achieve a transition to lower carbon sources of energy. Capricorn’s strategy is to play a responsible and competitive role in the production of oil and gas within this transition. Capricorn acknowledges the contribution its activities have on carbon emissions, and the Group continues to develop short-, medium- and long-term actions to minimise and mitigate this contribution.

Impact

- Providers of capital limit exposure to fossil fuel projects
- Increasing costs
- Climate-related policy changes
- Reduced demand for oil
- Reputational damage
- Retaining and attracting talent

Mitigation

Measuring and reporting our GHG emissions in line with the TCFD and Streamlined Energy and Carbon Reporting.

Promotion of efficient energy use in activities with business partners and service providers.

Consideration of climate change in investment decisions.

Portfolio resilience modelling based on the International Energy Agency Sustainable Development Scenarios.

Endorsement of Global Gas Flare Reduction Partnership.

Alignment with UNSDG.

Active participation in industry initiatives.

2023 movement

This risk remained static in 2023.

Capricorn remains committed to our net-zero roadmap with accelerated short- and medium-term GHG equity emission reduction targets (15% by 2025/30% by 2030) on track. We continue to support decarbonisation initiatives relating to projects to reduce flaring, venting and fugitive emissions. Recent successes include the implementation of Phase 1 of identification and mitigation of fugitive emissions, with Phase 2 implementation planned within scheduled shutdowns.

Capricorn’s non-operated Scope 1 forms the majority of our overall emissions footprint, and emissions have been consistently lower within 2023 than our 2022 baseline. Total Scope 1 and 2 emissions in 2023 were 226,900 tCO₂e, which was lower than the 2022 emission baseline, which was reported last year as 269,635 tCO₂e.

2024 KPI objectives

GHG emissions reductions: Demonstrate equity Scope 1 and Scope 2 GHG emissions reductions versus relevant baselines, incorporating where appropriate certified offsets.

Communicate our climate change strategy, maintain CDP rating and meet TCFD, SASB and GRI reporting requirements.

FINANCIAL & OPERATIONAL REVIEW

Financial & Operational Review

Strategic Highlights

- Delivery on our shareholder return commitment set out in the strategic review, with ~\$568m paid to shareholders in 2023 and a further planned dividend payment of \$50m in Q2 2024, accompanied by a share consolidation, subject to shareholder approval
- Ongoing \$25m share buyback programme – ~\$21m repurchased to date, with progress limited by reduced trading volumes
- Corporate focus on maximising value from the Egypt portfolio
- Full exit of non-core exploration positions in Mauritania, Mexico and Suriname
- Appointment of Randy Neely as Chief Executive Officer and Director
- Right sized the organisation with 80% UK headcount reduction
- Revised agreement with Waldorf relating to the Company's disposal of its Catcher and Kraken interests, with Capricorn now to receive \$72.5m over the 12 months following the settlement date and Waldorf's 25% WI in the Columbus gas field in the UK North Sea, subject to completion.*

2023 Financial Highlights

- Revenues of \$201m with average oil price of \$81.2/bbl and gas price of \$2.9/mmscf; production costs of \$60m
- \$49m exploration capex and general exploration costs; \$15m in Egypt and \$34m across legacy international portfolio
- \$91m capex on Egypt producing assets
- Net cash inflow of \$32m from Egypt operations
- Group net cash of \$76m; comprising \$190m cash and \$114m debt
- Receivables of \$169m, after expected credit loss adjustments
- Gross G&A of \$75m inclusive of restructuring costs
- \$48m contingent payment received in December related to the disposition of the Company's legacy UK North Sea assets with a further \$24.5m to be received over the next 10 months

- Group cash expenditure on oil and gas assets \$88m; \$43m exploration, including general costs, and \$44m producing assets
- Operating loss of \$87m from continuing operations
- Combined impairment charge of \$44m on Egypt producing assets and related goodwill
- Loss after tax of \$144m.

2024 Outlook

- Post-year end appointment of Eddie Ok as CFO and Geoff Probert as COO
- The Company remains committed to aligning investment in Egypt with funds available in country – an update on 2024 guidance and budget is expected to be provided once the Company has clarity on accessible funds generated in country
- Production in 2024 is guided in the range of 20-24,000 boepd, 48% of which is forecast to be liquids
- Operating costs forecast to be stable at \$7-\$9/boe influenced by liquids processing volume and absolute production levels
- The Company continues to focus on costs with gross G&A expected to reach a year end run rate of <\$20m per year, net of remaining restructuring costs
- On the Alam El Shawish (AESW) concession (20% working interest), Capricorn was voted into a 2024 work programme by the joint venture, with a corresponding net capital exposure of \$4.3m
- The Company is currently committed to spend a further net ~\$10m in 2024 comprised of up to five non-operated exploration wells, including activity to de-risk the Abu Roash F unconventional play. Capricorn intends to seek at least a partial deferral of these expenditures into 2025
- The Company is working with the Operator in Egypt to amend the EGPC concession terms and secure extensions to support increased investment and strengthened returns

- Capricorn expects to complete the acquisition of a 25% WI in the Columbus gas condensate field in Q2 2024*
- The Company is currently seeking to defer amounts due under its remaining contingent obligations related to the acquisition of its Egyptian assets.

*In the event that the acquisition does not complete by the longstop date, Capricorn will receive a payment of \$7m.

Reserves

Capricorn engaged GLJ Ltd. (GLJ) to undertake an independent oil and gas reserves evaluation on the Company's Egypt assets, to document the 2023 year end reserves position. GLJ undertook a full review of the producing assets and the inventory of new well opportunities to assess total proved developed producing (PDP), total proved (1P), total proved plus probable (2P), and total proved plus probable plus possible (3P) reserves. The reserves were prepared in accordance with the latest SPE Petroleum Resources Management System (PRMS) approved definitions of Reserves and Resources. GLJ based their evaluation on information and data provided by Capricorn. The highlights of the reserves report are summarised below:

- Relative to year end 2022, net entitlement interest 2P reserves after 2023 production reduced by 13% to 19.4 mmboe
- Developed producing reserves additions in 2023 replaced 60% of production with 47% of this addition occurring in the Badr El Din (BED) area
- 35% of the 2P reserves are categorised as undeveloped, reflecting a decrease from year end 2022 due to the impact of activity deferral with reduced rig activity in 2024 and an updated view of the new well inventory with a reduction in locations
- The net present value of future net entitlement revenues, discounted at 15% (NPV15) for the 2P basis is \$267m.

2P Oil & Condensate reserves (mmbo)		2P Natural Gas (bcf) Reserves		Total 2P Reserves Boe (mmboe)	
Net WI	Net Entitlement	Net WI	Net Entitlement	Net WI	Net Entitlement
20.4	7.8	167.8	65.0	50.4	19.4

Production

Egypt

WI production in 2023 across the four main concession areas of Obaiyed (Capricorn 50% WI), BED (Capricorn 50% WI), North East Abu Gharadig (Capricorn 26% WI) and AESW (Capricorn 20% WI) averaged 30,044 boepd (47% oil) for the year. As previously disclosed, this was below the low end of the original 2023 guidance of 32-36,000 boepd, as a consequence of the delay in the delivery of key projects at Teen and in the BED area, along with lower than expected contributions from some new wells and four fewer wells than originally forecast in 2023.

Drilling activity at the end of 2023 continued to be focused on the Abu Roash reservoir targets in the BED concession, where a campaign of step-out and delineation wells saw positive results.

These fields have been the focus of field development studies undertaken by Capricorn to optimise further development activity and waterflood strategy. The complex distribution of the Abu Roash reservoir sands and their dynamic behaviour is now better understood and consequently these important fields in the BED concession will remain the focus of development activity following the resumption of drilling.

A number of facilities projects were completed towards the end of 2023 at BED, Teen and Karam. These projects focused on optimising gas production with compression and low-pressure production optimisation, with production impact continuing to be assessed in Q1 2024. There are no further major projects planned in 2024.

UK

In December 2023, Capricorn agreed to acquire Waldorf's 25% non-operated WI in the Columbus gas field located in the UK Central North Sea in Q1 2024. The interest will be transferred into an existing Capricorn UK subsidiary and should deliver consistent cash flows from a 1 January 2024 effective date, with approximately 80% of production exposed to the UK gas price. In addition, the acquisition of the Columbus field allows the Company to maintain its presence in the UK North Sea where it has been active over the last decade through continuous exploration and production activities. Columbus is expected to provide ~400 boepd from completion of the deal, expected to conclude in Q2 2024.

Exploration

Egypt

Capricorn is in the process of transferring operatorship, however retains participation in three exploration concessions in the Western Desert. The Company continues to work with our partner to negotiate with EGPC for an extension to the concession timelines, allowing a partial deferment of some of this exploration activity into at least 2025.

Notwithstanding seeking a partial deferment, once the Company has clarity on the availability of funds from Egypt operations, exploration activity is expected to include: i) up to three wells in the West El Fayium concession to meet the original minimum work obligation, including a component to de-risk and develop our understanding of the emerging unconventional Abu Roash F formation; ii) a well in the South East Horus concession and fulfilment of the minimum work obligation; and iii) drilling activity commencing towards the end of 2024 in the North Um Baraka concession, where there is a remaining two well commitment.

Mexico

Capricorn has interests in two blocks in the Gulf of Mexico, as non-Operator in Block 7 (Capricorn 30% WI) and Block 10 (Capricorn 15% WI). The Company has issued notices of withdrawal on these licences and expects to have formally withdrawn by the end of Q2 2024.

Senegal

On 13 February 2024, Capricorn noted Woodside's announcement confirming the arrival of the FPSO facility for Woodside's Sangomar Field development offshore Senegal and its intention to continue to target First Production for mid-2024. As defined in the sale and purchase agreement, Capricorn may become entitled to a contingent payment of either \$25m or \$50m if the average Brent oil price during the first six months of production exceeds the \$55 per barrel or \$60 per barrel thresholds and first oil is achieved in the first half of 2024. If first oil is achieved prior to 30 June 2024, the contingent payment would be due in early 2025 once the average oil price has been determined and there

has been 30 days of continuous production. First oil is defined as the first continuous 72-hour period of production from the Sangomar Field during which at least a total of 30,000 barrels is produced for sale.

In either case, no additional payment will be due from Woodside if the average Brent price is less than or equal to \$55 per barrel or if first oil is achieved later than H1 2024.

As previously noted, a tax audit is taking place with respect to Capricorn's disposal of its interests in the Sangomar Field offshore Senegal. The tax process is ongoing with respect to real estate capital gains tax (~\$10m plus interest and penalties) and registration duties (~\$25m plus interest and penalties). The Company's position remains that no tax is payable. A payment demand for the full amount (~\$45m) was received by Woodside in March 2024 from the Senegalese tax authorities.

Capricorn remains committed to returning any proceeds of any contingent payment to its shareholders.

Financial Review

Key production statistics

	Year ended 31 December 2023	Year ended 31 December 2022
Production – net WI share (boepd)	30,044	34,228
Sales volumes – net EI oil (boepd)	5,367	5,028
Sales volume – net EI gas (mscfd)	38,049	44,468
Average price per bbl (\$)	81.2	98.8
Revenue from production (\$m)	199.9	228.9
Average production costs per boe (\$)	5.4	5.7

Loss for the Period

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 (restated) \$m
Loss from Egypt business operating segment	(60.4)	(41.2)
Loss from other Group continuing operations	(82.2)	(135.2)
Loss/(Profit) from discontinued operations	(1.4)	109.3
Loss after taxation	(144.0)	(67.1)

Change in Accounting Policy – Intangible exploration/appraisal assets

Following completion of the Group's strategic review in 2023, Capricorn has changed its policy for accounting for non-well specific general exploration costs. Previously such costs were capitalised and allocated to future exploration wells and would either remain capitalised or be charged to the Income Statement dependent upon the success of the well. Now, all non-well specific exploration costs are charged to the Income Statements as they are incurred.

The directors believe that this policy provides a clearer understanding of the performance of the Group in any given period as Capricorn moves from an exploration-led business to one focussed on maximising value from its producing assets.

Egypt Business Operating Segment Results

In Egypt, total revenue was \$199.9m. \$159.1m was generated on sale of liquids with an average price of \$81.2 per bbl on net entitlement volumes of 1,959,000 bbls. Gas revenue was \$40.8m from volumes of 13,887,800 mscf at the contracted rate of \$2.9 per mscf.

Cost of sales in the year were \$59.6m, including inventory movements. Production costs decreased slightly to \$5.4 per boe, on a working interest production over the year, while depletion charges were \$120.4m, at a weighted average rate of \$22.8 per boe across the concessions. Expected credit loss adjustments for the year were \$9.0m, reflecting the increased ageing of trade receivables in Egypt.

Capricorn records other income on additional production that is notionally allocated to the Group to cover tax due on profits from the concessions. This is offset by an equal and opposite tax charge. In the current period, the value of this income and notional tax gross-up is \$54.1m.

At the year end, the Egypt assets were tested for impairment, with impairment recorded on producing assets of \$29.1m and goodwill of \$14.6m. Related deferred tax credits were \$6.6m. Further details are provided below.

A fair value loss of \$8.0m on the mark-to-market valuation of deferred consideration due relating to the 2021 business combination was recorded in the year. Capricorn, with our partner Cheiron, are in discussions with the seller regarding settlement of the \$25.0m due in 2024 and one further payment of up to \$25.0m is due in 2025.

Net finance costs in Egypt of \$17.3m, includes loan interest and charges and the total tax charge on Egypt operations for the year is \$40.5m, being the tax gross-up charge of \$54.1m offset by deferred tax credits on asset temporary differences.

Results from Other Continuing operations

The loss on other continuing operations of \$81.8m includes unsuccessful exploration costs of \$17.9m and general exploration costs of \$16.2m. \$26.3m of this cost related to operations in Mexico where the Group concluded its exploration programme, in early 2023, with the drilling of the Yatzil well. General exploration costs also include costs in Mauritania, Suriname and the UK as the Group moved away from its previous focus on international exploration.

Net finance income of \$13.8m includes interest earned on cash and cash equivalents of \$19.9m offset by finance charges and foreign exchange losses of \$6.1m.

Capricorn recorded a \$4.0m impairment on assets held-for-sale relating to an investment held in India.

Discontinued Operations Settlement of earnout consideration due on disposal of UK Producing assets

Following the settlement agreement with Waldorf, Capricorn received an immediate payment of \$48.0m with a further \$2.0m due in April 2024, matching the ~\$50m that was due for 2023 production. Capricorn will further receive \$22.5m in January 2025 and Waldorf's 25% WI in the Columbus gas field in the UK North Sea (subject to completion). Adding the fair value of Columbus brings total consideration to \$79.5m before expected credit loss adjustments. The transaction recorded a loss of \$1.7m compared to the fair value of the remaining earnout at the date of the transaction but brings certainty to the further receivables due, as well as continuing the Group's operating activities in the UK.

Prior to the settlement of the earnout, Capricorn recorded a year-to-date fair value loss of \$10.4m on mark-to-market valuations of the remaining consideration due, bringing total losses in the year to \$12.1m. This was offset by interest income of \$2.3m on the 2022 earnout payment received in March 2023, a refund of past production costs of \$4.3m from joint venture audit settlements and a deferred tax credit of \$4.1m, with consideration from the settlement of the earnout now expected to be sheltered in full by available tax losses. This resulted in a net loss from discontinued operations of \$1.4m over the year.

Across all segments, gross administration charges were \$74.9m, including \$16.5m of redundancy costs following the reduction in Group headcount, \$6.7m of depreciation and amortisation expenses, with a further \$6.9m of costs relating to the aborted transaction costs. Net administration costs reduce to \$61.9m after recharges and recoveries.

Contingent consideration on Senegal asset sale

Capricorn disposed of its interests in Senegal in 2020. Under the sale agreement, Capricorn is due further consideration of up to \$50m based on the first oil date falling before 30 June 2024 and the prevailing oil price. No revenue or asset has been recognised for this possible income.

FINANCIAL & OPERATIONAL REVIEW CONTINUED

Senegal tax assessment

As previously noted, a payment demand for Senegal taxes and duties was received by Woodside in March 2024, including ~\$45m with respect to the Group's disposal of its

interests in 2021. Capricorn believes that neither claim is valid and is working with Woodside to defend the Group's position. No provision has been made in the financial statements at the year end.

Exploration assets

Following the change in accounting policy, exploration assets of \$2.5m at 31 December 2023 relate wholly to planned exploration wells in Egypt.

Net cash inflow for the Year

	\$m
Opening net cash as at 1 January 2023	596.9
Shareholder returns – Dividends and share re-purchase	(561.0)
Net cash inflow from UK North Sea settlements	189.0
Net cash inflow from Egypt operations	32.3
Exploration expenditure – Egypt	(12.2)
Exploration expenditure – other legacy assets	(31.1)
Development expenditure – Egypt	(44.2)
Deferred consideration – Egypt	(25.0)
Pre-award costs and business development ¹	(6.1)
Administration expenses, corporate assets, and office lease costs	(47.9)
Net finance costs, equity and other movements	(14.8)

Closing net cash as at 31 December 2023 **75.9**

1 Cash outflows on business development of \$5.1m not relating to pre-award activities are reallocated from administration costs

Cash and cash equivalent balances at 31 December 2023 of \$189.5m were offset by borrowings in Egypt of \$113.6m. Cash held inside of Egypt was \$6.0m, while the net debt of the Egypt business was \$105.8m, including a prepaid facility fee of \$1.8m. Capricorn has committed not to inject further cash into the Egypt business, other than to meet committed exploration spend and deferred consideration payments, both covered by parent company guarantees. Loan facilities are non-recourse to the Group's non-Egypt assets.

At the date of approval of the financial statements, Capricorn, together with Cheiron, is seeking waivers from lenders for several potential events of default under the facilities, all related to a lack of

a payment plan from EGPC to resolve the receivables position.

Restricted cash balances of \$5.0m and \$5.6m exist in the UK and Egypt respectively. Egypt restricted cash may be used to fund non-operated concessions in Egypt.

Loan repayments in the year were \$48.3m. The facilities are subject to biannual redetermination processes, with the September 2023 redetermination resulting in an additional payment of \$2.9m made early 2024.

Cash inflows from operations in Egypt of \$32.3m can be reconciled to cash flows from operations per the statutory cash flow as follows:

	\$m
Operating cash flow per statutory cash flow statement	(39.9)
Non-GAAP Adjustments:	
Discontinued operations – working capital settlements	(4.3)
Pre-award and new venture costs reallocated	6.1
General exploration costs	26.9
Administration expenses	45.9
Other adjustments	(2.4)
Net cash outflow from operations	32.3

Balance Sheet

The Group's net asset position at 31 December 2023 is summarised as follows:

	\$m
Exploration assets – Egypt	2.5
Development assets – Egypt	217.6
Other long-term assets (excluding deferred tax assets)	52.9
Working capital – non-Egypt	177.2
Cash and cash equivalents	183.5
Trade and other receivables and payables, and provisions	(6.3)
Working capital – Egypt	7.3
Trade and other receivables and payables, and inventory	113.1
Net debt, including unamortised facility fees	(105.8)
Asset held-for-sale	3.2
Lease liabilities	(7.4)
Deferred consideration on business combination	(44.8)
Net deferred tax liabilities	(2.0)
Net assets	406.5

Development assets and goodwill

Capricorn has not approved any further drilling activity in Egypt and will not do so until a payment plan has been agreed with EGPC. There are currently no active rigs drilling on the Company's jointly held concessions, down from a maximum of six during 2023.

This cessation of drilling operations has led to a downgrade of booked 2P reserves at the year end, which is in turn an indicator that the Group's assets may be subject to impairment. Subsequent impairment tests performed indicated a net impairment of \$22.5m across two concession areas in Egypt, and after adjusting for deferred tax credits, resulted in a headline impairment charge of \$29.1m against producing assets. Impairment tests conducted on goodwill allocated to the Egypt business unit resulted in a further impairment charge of \$14.6m.

The impairment tests performed compare the carrying value of the Group's assets against their recoverable value based on net present value model based on future production profiles. Capricorn's base-case assumes that a payment plan will be agreed and operations will commence with a three-rig campaign mid-year 2024, with an increase in collections commencing January 2025. Other key assumptions include a payment plan that settles revenue six months from production, a long-term oil price of \$65 flat, a discount rate of 15% and a voluntary cost of carbon based on the appropriate IEA scenario. Any degradation in these assumptions could lead to further impairment charges, and sensitivity analysis is included in note 2.8 to the financial statements, showing the impact of changes to these assumptions.

Post impairment, the carrying value of the Group's development/producing assets in Egypt is \$217.6m and with remaining goodwill of \$10.8m.

Other long-term assets

Non-oil and gas property, plant and equipment and intangible assets at the year end totalled \$14.5m include \$6.8m relating to unamortised carbon credits and \$6.8m of right-of-use assets. During the year the Company took possession of two floors office space in Edinburgh previously proposed for new head office space. Following the strategic review, this move was cancelled, and the lease for one floor was cancelled in 2023 with the other sublet in early 2024.



Other long-term receivables include the \$22.5m due from Waldorf in 2025, adjusted for expected credit losses as required under IFRS.

Working capital

Working capital outside of Egypt includes residual balances from the Group's previous international exploration activities together with funding of corporate activities.

Egypt trade receivables at the year end were \$168.7m, an increase of \$71.9m across the period. \$143.1m of this amount was overdue. Capricorn continues to engage with EGPC and Ministry of Petroleum & Mineral Resources in Egypt to address the receivables position.

Net working capital liabilities across the Egypt concessions were \$66.3m. This includes additional creditors and accruals of \$26.8m which were adjusted by way of a prior year restatement in the Group balance sheet. In 2022, Capricorn processed an opening cost adjustment of \$29.2m reducing joint venture credits and development/producing assets relating to accruals that could not be supported

by the Joint Venture billings statements received from the operator. After further investigation following access to the Bapetco source accounting records, Capricorn concluded that these balances should have remained on the balance sheet and had been reversed in error in the prior year. This prior year restatement also leads to a change in the 2022 depletion charge.

Equity movements **Shareholder returns and share premium cancellation**

Across 2023 Capricorn returned \$560m to shareholders by way of dividends of \$541.1m and \$18.9m share re-purchase. Ahead of the two dividends, the Group converted \$450m and \$100m respectively into £, fixing the returns in pence per share. Exchange rate movements from the date of conversion to the date of settlement resulted in the total \$ equivalent of dividend payments of \$541m recorded in the financial statements. The Company undertook two share consolidations at the same time as paying the dividends. A share premium cancellation in advance of the returns completed in January 2023.

This Strategic report has been approved by the Board and is signed on their behalf by

Randy Neely
Chief Executive

28 March 2024

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BOARD OF DIRECTORS



Craig van der Laan
Non-Executive Chair
(58)



Randy Neely
Chief Executive
(57)



Maria Gordon
Non-Executive Director
(50)

Committee membership

N

S

R A N

Term of office

Craig was appointed as Non-Executive Chair in February 2023.

Randy was appointed as an Executive Director in June 2023.

Maria was appointed as a Non-Executive Director in February 2023.

Independent

Yes

No

Yes

Skills and experience

– B.A. and Bachelor of Laws (LL.B.), University of Sydney

A qualified lawyer, Craig has nearly three decades of senior international executive experience across a wide range of industries, including multinational public companies at FTSE 100 and ASX 20 level with exposure to operations in more than 50 countries. He is an experienced driver of strategic initiatives, complex transactions, portfolio reconstructions and capital market activities, with a strong commitment to delivering the highest standards of corporate governance at Capricorn.

– Bachelor of Commerce, Accounting, University of Calgary

Randy has more than 25 years of industry experience in executive and financial roles, including CFO of Zodiac Exploration, CFO of Pearl Exploration & Production and CFO of Trident Exploration.

Most recently, he was President and CEO of TransGlobe Energy, an Egypt-focused production and development business with operations in the Eastern and Western Deserts. At TransGlobe Energy, Randy led negotiations, which resulted in an amended, extended and consolidated production sharing contract with EGPC in Egypt. Ultimately the negotiations led to the merger between TransGlobe and VAALCO Energy in October 2022.

Randy obtained designations as a Chartered Public Accountant (CPA) and Chartered Financial Analyst (CFA).

– Master's degree, Fletcher School of Law and Diplomacy, Tufts University

– Bachelor's degree in Political Science, University of Wisconsin
– Chartered Financial Analyst
– Corporate Director Certificate, Harvard Business School

Maria has strong governance experience, having served as chair, senior director and committee member of various public companies. She currently serves as Non-Executive Chair of Constellation Oil Services, a deep-water drilling oil services company based in Brazil. She has two decades of direct investment experience in senior roles, including as Head of Emerging Markets Equity Strategy at Goldman Sachs and PIMCO. With that she brings considerable expertise in portfolio management and equity and debt capital markets.

Key external appointments

Public companies:
None

Non-public companies:
None

Public companies:
None

Non-public companies:
None

Public companies:
None

Non-public companies:
Non-Executive Chair of Constellation Oil Services

Committee membership key

Committee Chair A Audit Committee R Remuneration Committee N Nomination & Governance Committee S Sustainability Committee



Richard Herbert
Senior Independent Director
(65)



Hesham Mekawi
Non-Executive Director
and Deputy Chair
(63)



Tom Pitts
Non-Executive Director
(58)



Patrice Merrin
Non-Executive Director
(75)

A N R

Richard was appointed as a Non-Executive Director and Senior Independent Director in February 2023.

Yes

– Bachelor's degree in Geology, University of Bristol

Richard is a petroleum geologist with more than 40 years' experience in the oil and gas sector, including leading executive roles across the world's major hydrocarbon provinces. Most recently, Richard served as CEO of Frontera Energy Corporation and Global Head of Exploration for BP.

His career started at Phillips Petroleum, followed by 19 years at BP in senior exploration and development positions spanning Southeast Asia, Latin America, the US, Angola and the UK North Sea. After leaving BP, Richard spent six years with TNK-BP in Russia, serving first as Vice-President, Exploration and then EVP Technology. After that, he worked in Canada as Vice-President, Exploration of Talisman Energy for five years, before returning to BP as Head of Exploration in 2013.

Public companies:
Chief Executive Officer of Angus Energy PLC

Non-Executive Director of PGS ASA

Non-public companies:
None

N S

Hesham was appointed as a Non-Executive Director in February 2023 and as Deputy Chair in June 2023.

Yes

– Advanced Management Program, Harvard Business School

– MBA, Boston University

– Bachelor's degree in Engineering, Cairo University

Hesham is an accomplished senior corporate executive with more than 30 years of experience at BP, serving most recently as Regional President of BP North Africa. He brings considerable industry knowledge and experience of the North African region, having developed strong political and business relationships in the region.

Public companies:
Non-Executive Director of Orange Egypt

Non-public companies:
Non-Executive Director of Egypt's Sovereign Infrastructure & Utilities Sub-Fund

Non-Executive Director of National Printing

A R

Tom was appointed as a Non-Executive Director in February 2023.

Yes

– Master's degree, Queens' College, University of Cambridge

Tom has more than 25 years' investment banking and private equity experience in public and private markets. He is currently a partner at LionRock Capital, having previously served in senior leadership positions at firms including Credit Suisse, Morgan Stanley and D.E. Shaw. Tom has broad experience in emerging markets, capital markets and structuring of complex financial products.

Public companies:
None

Non-public companies:
Non-Executive Vice Chairman of Harmony Advisors

Non-Executive Director of SIG-i Capital

Non-Executive Director of Haglöfs AB

S N

Patrice was appointed as a Non-Executive Director in June 2023.

Yes

– B.A. Politics & Psychology, Queen's University

– Completed the Advanced Management Programme at INSEAD

Patrice has significant experience across the energy, resources and commodity sectors. She served for nine years as an Independent Non-Executive Director of Glencore plc and is also the Non-Executive Chair of Metals Acquisition Limited. In 2022, she joined the board of Lancium, Inc., a leading energy technology and infrastructure private company dedicated to accelerating the energy transition.

Previous roles held by Patrice include President, CEO and Director of Luscar Ltd., Canada's largest thermal coal producer, prior to which she had been EVP and COO of Sherritt International, a Canadian diversified miner, energy producer and power generator. In addition, she was a Director of Climate Change and Emissions Management Corporation, created to support Alberta's initiatives on climate change and the reduction of emissions.

Public companies:
Non-Executive Chair of Metals Acquisition Limited

Lead Independent Director of Lancium Inc.

Non-public companies:
None

A Responsible Approach to Governance



Delivering on our strategy, achieving our objectives and creating long-term value for our shareholders requires robust, transparent corporate governance. Good governance requires us to protect the business and our stakeholders by doing what is right.

We protect our business against existing and emerging risks through comprehensive policies and management systems, underpinned by our core values, business principles, standard operating procedures and CRMS.

Business principles

- We manage risk and seek to continually improve.
- We behave honestly, fairly, with integrity and in a sustainable manner.

In 2023, the following governance issues were treated as being of high materiality:

- Managing a Just Transition
- Responsible supply chain
- Decommissioning closure and rehabilitation
- Ethics, transparency and regulatory compliance
- Anti-bribery and corruption practices
- Robust whistleblowing mechanisms
- Emergency preparedness and crisis management
- Data and cyber security
- Investment in clean technologies and business innovation
- Remuneration

📄 **See our Materiality Matrix online:**
www.capricornenergy.com/working-responsibly/our-approach/materiality-assessment

2023 performance against sustainability objectives

- Recommitted to our climate and energy transition strategy with an equity Scope 1 and Scope 2 net zero by 2040 with interim emissions reduction targets of 15% by 2025 and 30% by 2030.
- Integrated carbon pricing mechanisms and re-evaluated the resilience of our portfolio.
- Assessed physical risks of climate change on our portfolio.
- Improved our reporting against the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) requirements, and global reporting initiative (GRI).
- Expanded Scope 3 emissions disclosures, including Capricorn's commuting emissions, business travel emissions and the use of our products.
- Continued to communicate about climate change for the investment community and our wider stakeholders.



📄 **For more details, see our website:**
www.capricornenergy.com/working-responsibly

Ethics, transparency and regulatory compliance

Every aspect of how we conduct our business is rooted – at the minimum – in complying with the spirit and letter of all applicable laws and regulations.

From safety protocols and environmental performance to open and compliant financial conduct, we apply the standards of world-class companies.

With an ever-evolving compliance landscape, we implement continual training, checks and audits.

These standards are central to our approach to business. They inspire the trust of our employees, suppliers, lenders, investors and host countries.

Transparent reporting to industry standards

This Annual Report and Accounts has been prepared in line with UK-adopted IFRS and within the requirements of the Companies Act, the London Stock Exchange and the TCFD.

We also make relevant disclosures by our statutory public announcements, available in the Investors section of our website and through investor meetings and roadshows.

Tax and payments to governments

We also report tax and payments to governments in our Annual Report and Accounts, as required by EU legislation and the EITI.

The latter is a voluntary international coalition of governments, companies and civil society working to encourage the full disclosure of tax and other payments made by oil, gas and mining companies to governments. It also requires governments to publish receipts from Companies. All payments and receipts are independently verified.

As in previous years, our 2023 EITI disclosures include payments to governments such as corporate income tax, licence fees and withholding tax. We also report additional payments including VAT, payroll taxes and social security costs.

Whether in the UK or Egypt, we seek to comply with all local rules and regulations. We do not enter into artificial tax strategies, and only align tax planning with genuine commercial activity.

Lobbying and public policy

In the course of our business, we engage with stakeholders on legislation, regulation and new licence awards that affect our business or plans. We perform this ourselves; we do not use professional lobbyists, nor engage in party politics or make donations to political parties. The management team of our Egyptian assets engages openly with host governments and other stakeholders, as part of its local stakeholder engagement plan.

This includes discussion over licence agreements and regulatory requirements, and dialogue with a wide range of non-governmental stakeholders.

Training in 2023

Ethics and transparency training takes many forms, and among activities during the reporting year we:

- delivered compliance training in Cairo for our Egyptian team;
- launched a new Dealing Code for colleagues governing how and when they may/may not buy or sell shares in the Company; and
- delivered comprehensive expert review of updates on listing rules and market abuse regulation provided to all directors.

Anti-bribery and corruption practices

Bribery in any form is forbidden by Capricorn Energy.

It is outlawed by both the UK Bribery Act and the Egyptian Penal Code, and no employee may offer a bribe or accept one.

As well as the corrosive effect that bribery has on fair and proper business dealings, it may also raise safety and other issues if a relationship is found to be operating unethically or illegally.

For this reason, each year we require all staff to certify that they will adhere to the requirements set out in the Capricorn Group Code of Ethics. All Capricorn-appointed suppliers are also required to comply with the same Code.

Bribery takes many forms. Making or receiving illegal payments is clearly one, but inappropriate gifts, hospitality or favourable treatment designed to influence an outcome are all prohibited under our Code.

There are also cultural differences to address. Egypt is ranked as 'high risk' for bribery in Transparency International's Corruption Perceptions Index, and our objective is always to comply fully with the UK Bribery Act in all jurisdictions in which we operate.

Action in 2023

For any anti-bribery code to be effective it must be clear and unambiguous. In 2023, we delivered training at all levels in our business in the UK and Egypt. This included:

- in-person anti-bribery workshops in the Egypt office;
- a workshop, with external specialist support, delivered to the new Board;
- updating process documents in line with the rollout of the new Capricorn Management System; and
- e-learning training rolled out across the Group.

Robust whistleblowing mechanisms

The ability to raise a concern, without any fear of retribution, is central to our Code of Ethics.

If any colleague feels something is not right, they have a duty to report it. We encourage them to take the concern to their line manager in the first instance or, if they feel more comfortable, to the Head of HR.

Alternatively, if neither route is appropriate, they can talk to a specialist third party, Safecall, and do this anonymously if they prefer.

Every call or report, no matter how it is delivered, is taken seriously and handled in complete confidence. It may concern anything from the bullying of a colleague or themselves; to suspicions or evidence of safety concerns; to conflicts of interest, lawbreaking, bribery, fraud, drug use or modern slavery.

We are equally open to hear from external individuals such as suppliers, JV partners, local officials or community neighbours if they have serious concerns or suspicions relating to Capricorn.

We provide grievance mechanisms that are culturally appropriate, in local languages, and as accessibly as possible.

There was one whistleblowing report in 2023, which related to a behavioural performance issue that is typically dealt with by line management. The issue was investigated and no further action was taken.

During the year, we:

- launched a communications campaign in Egypt to raise awareness of whistleblowing and its ease and confidentiality;
- held a town hall meeting in Egypt dedicated to the subject; and
- delivered tailored training, both online and face to face.

Emergency preparedness and crisis management

During 2023, Capricorn Energy underwent a major reorganisation. This included a transfer of our exploration operations to our JV partner in Egypt.

Nevertheless, our priority of safety never wavers and we require our operating partners to work to the same standards we have always applied ourselves.

There can be no compromise. All oil and gas projects involve potential hazards that can impact people, neighbouring communities and the environment.

Our partners therefore continue to work to the ALARP principle of keeping risks 'as low as reasonably practicable'. This meets the demands of both UK and Egyptian safety legislation and aligns with industry best practice.

A RESPONSIBLE APPROACH TO GOVERNANCE CONTINUED

Preparedness of our partners

A core part of any safety strategy is to define, prepare, train for and rehearse the response to a given crisis. We therefore monitor the readiness of our partners to adopt Capricorn's Emergency Response Plan, which describes how they should manage any credible situation that might arise.

The plan follows widely adopted industry practice, such as International Association of Oil & Gas Producers (IOGP) guidance on incident management systems, including organisational elements, management structure, terminology and operating procedures. This model allows for a response organisation that is fit for purpose and scalable to accomplish all incident response objectives.

Data and cyber security

A successful cyber-attack on Capricorn could have grave consequences for the Company and knock-on effects within society.

Vigilance, intelligence, improvement

Capricorn Energy is never complacent about cyber security and 2023 brought the additional challenge of achieving the Company's reorganisation programme without compromising our digital defences.

Our in-house resources continued to be supported by specialist external providers to manage potential threats and keep us continuously abreast of emerging risks and technologies.

We also continued to be active participants of industry bodies, including the IOGP Security Committee, and to take guidance from the Information Commissioner's Office and the Government

Communications Headquarters' National Cyber Security Centre.

Similarly, we keep abreast of all data protection issues in order to comply with general data protection regulations (GDPR) legislation and internal risk governance.

In 2023:

- there were no malicious cyber security breaches of Capricorn's IT (2022: zero);
- there were no breaches of GDPR legislation (2022: zero);
- the Company began reconfiguring its cyber security to be fit for transition to the newly right-sized organisation; and
- we doubled our cyber security's maturity level score ahead of plan. This was independently assessed against the globally recognised Cyber Security Framework of National Institute of Standards and Training (NIST).

The NIST Cyber Security Framework assessment measures an organisation's readiness against the key criteria of identifying, protecting, detecting and responding to, and recovering from, cyber-incidents.

In 2024:

Cyber risk management is a journey with no end destination. Threats and technologies continuously evolve, and during the year we will:

- seek and assess the latest intelligence and guidance on the threat of AI-generated cyber-attacks; and
- continue to reconfigure cyber and data defences for the new size and nature of the business.

Decommissioning, closure and rehabilitation commitment

Capricorn Energy's production portfolio, whether non-operated or operated, is underpinned by a comprehensive approach to asset life cycle management.

Capricorn's business model means we have usually exited a project before the decommissioning stage begins. However, our management plan ensures that we follow best practices to enable sustainable decommissioning. This sets out that the process is managed in line with Capricorn's operating standards, which observe regulatory requirements.

In 2023, Capricorn developed an Operating Management System (OMS) based on the system of the IOGP. Capricorn's OMS was designed to address the Company's business model at the time. It therefore focuses on all phases of asset life cycle from exploration, production and into decommissioning.

A recurring imperative in our OMS is to maintain a sharp focus on sustainability and the accepted material management hierarchy of reduce, recycle and recover. It also places a heavy emphasis on working with due regard to both the environment and biodiversity surrounding the decommissioning asset.

Although Capricorn is now strictly a non-operator in its assets, we strive to instil a culture of safety and sustainability in these operations and promote alignment with the International Petroleum Industry Environmental Conservation Association (IPIECA). They state that: "The overall goals are the same: protecting the environment; minimising the impact on communities; and ensuring the safety of the workforce."



Building and maintaining a responsible supply chain

It is a guiding principle at Capricorn Energy that we only do business with suppliers who share our values.

Specifically, this means two things. They must be able to demonstrate to us that they act within the letter and spirit of all applicable laws, and we also expect that the work they perform for us, and any goods they use or supply, is executed or sourced in a sustainable way.

In 2023, we reviewed our processes in two main areas:

- **Procurement protocols:** we conducted a thorough review of our procurement processes to ensure they are fit for the future, following the Company's reorganisation in 2023.

As part of our due diligence of suppliers, we require evidence of systems and processes to address bribery, corruption, tax evasion, modern slavery and child labour through robust protocols.

- **Linking carbon to contracts:** we also reviewed how we incorporate environmental assessment considerations into our supplier evaluation process. One example is to examine tenders for expected fuel consumption of vessels, rigs and helicopters, and to eliminate those that fall outside an acceptable threshold.

We also require certain suppliers to submit monthly returns of actual fuel consumption, as well as other sustainability data we may request.

Currently, Capricorn does not have any operated projects, but we keep these evaluation systems updated and ready to come into play.

We apply a similar process when assessing potential JV partners to ensure their approach and ethos on ethical, safety and environmental risks are aligned with our own. Following our 2023 reorganisation, the number of our counterparties has reduced. Even so, we continue to monitor our active supply contracts, scoring them against evolving sustainability, due diligence and legal criteria depending on the nature of the service, value and risk.

Managing a Just Transition to net zero

Achieving a Just Transition enables all communities and parts of society to benefit from a net zero economy and leaves no groups or individuals behind or worse off in the process.

A Just Transition is also central to Capricorn Energy's overall sustainability commitment. It is implicit that we prepare the skills of our local workforces and communities for these future challenges and opportunities.

The IEA projects that the energy transition will create 14 million new jobs related to clean energy technologies and require the shift of around five million workers away from fossil fuel sectors.

In this decarbonising world, stakeholder engagement will be crucial in achieving a Just Transition. We envisage intensive collaboration between governments, industry participants, unions, communities, civil society and international agencies. It will require transformations and compromises in thinking and practices to develop equitable policy and action.

A central dynamic for Capricorn as part of managing a Just Transition to net zero is recognising its role in supporting Egypt as a developing economy. Egypt is a net importer of oil and gas, and with 100% of Capricorn's product used within the domestic market, Capricorn will continue to provide a high-quality product to Egypt whilst implementing increasingly efficient production initiatives.

We are committed to being a responsible energy producer and Capricorn will play its part in supporting Egypt to achieve its accelerated and updated nationally determined contributions (NDCs). These NDCs, as per the Paris Agreement, commit Egypt to reduce oil and gas emissions within the sector by 65% by 2030. This is in addition to increasing the renewables capacity within their energy mix to 42% by 2035.

The IPIECA is playing a leading role in supporting oil and gas companies to prepare and participate in the transition. Specific objectives which IPIECA endorses, and to which Capricorn subscribes, include:

- respecting the rights of communities and workforces, including in supply chains;
- addressing the impacts on those who currently depend on the oil and gas industry for jobs and energy;
- promoting long-term opportunities for decent work and sustainable livelihoods; and
- leaving no-one behind in a world aspiring to a net zero future.

Just Transition for the workforce

We continue to review decarbonisation technologies and energy diversification developments within the oil and gas sector.

We will look to identify and develop further education and training to support the roles of our employees as we look to match the long-term direction of the sector.

Just Transition for local communities

We strive to create collaborative relationships with our host communities. We will build on these relationships, contributing positively to local skills, training, and educational resources.

In 2023:

- we embarked on a speaking programme to local universities and colleges, addressing students for whom the transition will directly or indirectly affect their careers and lives;
- we have made grants totalling more than \$90,000 to sponsor students in Egypt and the UK, enabling them to study a range of degrees in public health and geosciences;
- Capricorn continued to support the Mangrove Rehabilitation Project in affiliation with the Anton de Kom University of Suriname. The programme supports local communities as they adapt to the physical consequences of climate change: specifically, coastal erosion and rising sea level. The programme provides an opportunity for students to be directly involved in coastal remediation projects; and
- Capricorn equipped the community hub in Totness, Coronie in 2022 with more than \$50,000 worth of computers, laptops and printers. In 2023, it continued to welcome schoolchildren and local adults to learn IT skills and carry out their own research and education projects.

Clean technologies and innovation

Investment in clean technologies and broader business innovation is important to our stakeholders, but also to achieve operational efficiencies within our medium-term net zero roadmap.

Capricorn's 2040 commitment remains unwavering. Our approach to achieving net zero combines a continuous search to harness new concepts and technologies, with improved industrial 'housekeeping' to increase the efficiencies of our operations, and ultimately decarbonise operations.

Egypt's hosting of COP27 in Sharm El-Sheikh was a huge success and the message of COP is still fresh in our minds. Capricorn is keen to support Egypt's ambition to continue COP's positive legacy.

We are proud of Egypt's updated NDCs aligned to the Paris Agreement. In June 2023, Egypt accelerated their low carbon development journey by committing to reduce oil and gas sector emissions by 65% by 2030. This is in addition to increasing the renewables capacity within their energy mix to 42% by 2035. Capricorn will support Egypt with achieving these goals through our ongoing decarbonisation activities in our Bapetco Joint Venture.

Case study

Methane Thermal Plasma Electrolysis

Hydrogen production, either using either thermal, catalytic, plasma pyrolysis or plasma splitting decomposition holds the potential to offer a promising route to decarbonise oil and gas operations by splitting methane (a potent greenhouse gas), into hydrogen and inert carbon black. Hydrogen produced in this manner can typically be viewed as low emission, with carbon black having many uses within industrial applications such as concrete, soil enhancement and water purification. Deployment of these processes could reduce flare gas emissions and reduce consumption of sales gas through the utilisation of hydrogen for power generation, providing significant opportunities to reduce operational emissions.

In 2023, Capricorn contracted HiiROC whose Thermal Plasma Electrolysis (TPE) technology was assessed in a laboratory-based feasibility study to understand the suitability of using Capricorn's non-operated gas waste streams to produce hydrogen and carbon black of commercial value. The initial proof of concept has been a success, and we have now progressed to an initial commercial screening study to identify favourable plant schemes and potential value chain off-takers within the Egyptian market. The schemes under consideration include flare mitigation, power generation from produced hydrogen, and the development of a hydrogen hub.



Progress in 2023

- **Clean technology:** Capricorn is actively exploring the potential of innovative clean technologies as they emerge from the lab and progress into the field. We recognise the importance of supporting innovative technologies at all levels of development to support the wider progress of decarbonisation and the energy transition.

Linking rewards to non-financial measures

Rewards for Executive Directors are linked to the key priorities of the Company. By extension, therefore, progress in achieving ESG- and HSSE-specific targets is a key component of bonus plans at Capricorn Energy.

In 2023, ESG and HSSE considerations comprised 15% of the Group-wide KPIs.

ESG- and HSSE-specific elements of the 2023 KPIs were split into the following areas:

- **HSSE:**
 - **HSSE lagging indicators:** LTIF, TRIR, spills to the environment as reported for operated activity.
 - **HSSE leading indicators:** Safety leadership.

– ESG:

- **Environmental:** GHG emissions reductions: demonstrating equity Scope 1 and Scope 2 GHG emissions reductions versus relevant baselines, incorporating (where appropriate) certified offsets. Reporting requirements: maintaining the Company's CDP rating and meeting TCFD, SASB, ISSB and GRI reporting requirements.
- **Governance:** Establishing the Company's strategy for optimising executive structure, improving strategic decision-making and enhancing the relationship between all groups of stakeholders.

The company performed strongly in the HSSE and ESG performance objectives, and more detail can be found on pages 12 and 13.

2023: striking the right balance

During the year, the Remuneration Committee considered carefully the rationale for rewarding achievement of ESG- and HSSE-related priorities of the business, while also taking into account feedback from a body of shareholders more in favour of rewarding share value and financial performance.

As a result, the following decisions were made:

- together, the ESG and HSSE targets comprised 15% of weighting;
- a 40% weighting was attributed to production and joint venture governance in Egypt; 40% to financial performance; and 5% to exploration;
- the long-term incentive plan (LTIP) is 100% linked to the Company's absolute share price performance over a three-year period;
- the bonus has a 15% ESG and HSSE weighting; and
- the Company appointed Deloitte to advise the Remuneration Committee with independent and benchmarked guidance on decisions and priorities.

2024

- The Remuneration Committee will continue to consider the weighting of non-financial elements.

It will continue to receive independent advice from Deloitte in the context of wider market expectations.

CORPORATE GOVERNANCE STATEMENT

Craig van der Laan
Chair



Dear Shareholder

2023 was a year of significant, transformational change across Capricorn. Significant challenges were faced head-on, and Capricorn has as a result been completely reshaped. The Company is now a much leaner organisation, focused on tight cost control, shareholder returns and maximising value from our Egypt portfolio.

There was during the year, and will continue to be, regular engagement with stakeholders, both within the organisation and in the wider, external environment. The Company's approach to stakeholder engagement during the year is set out on pages 10 and 11, which also includes a statement from our Directors in accordance with Section 172 of the Companies Act 2006.

Details of our strategy and key performance indicators (KPIs) can be found on pages 12 to 17. The Board regularly reviews and develops its framework of effective and prudent controls, which enables risks and opportunities to the execution of the strategy to be identified and addressed. The risk management section of this Annual Report is on pages 40 to 48 and the internal control statement on pages 68 and 69 further describes these processes and controls.

During 2023, succession planning continued to be an important matter for the Board, particularly in light of the headcount reduction that took place throughout the year. The Nomination & Governance Committee and full Board kept a close eye on the required competencies and skills at Board, executive and senior management levels, taking into account matters such as term in office, diversity and strategic goals. The Board considered this an area of particular importance, given the corporate changes proposed during the year and the movements at Board and senior management levels that were announced alongside those changes. Further information on our succession planning work can be found in the Nomination & Governance Committee Report on pages 77 to 79.

Given the challenges and uncertainties being faced as a result of the major restructuring during 2023, employee engagement remained a key focus of the Company and of the Board. The Employee Voice Forum (EVF), which is our formal workforce advisory panel, established in 2019 in line with the Financial Reporting Council's UK Corporate Governance Code, continued during 2023. Following his appointment on 1 February 2023, Richard Herbert assumed the role of chair of the EVF. The EVF currently comprises three employees from a range of functions and regions, and has a rotating membership. Members gather questions and areas of consideration from employees in their allocated departments and bring these to the forum for discussion. These issues of importance to employees are then discussed with the Board, allowing Board members to gain a greater understanding and feel for the

Company's culture and to identify any areas that may impact or enhance it. Appropriate consideration of matters raised to the Board through the forum can then be made in the context of the Board's decision-making. The EVF's scheduled meetings were in March and September 2023.

Compliance with the UK Corporate Governance Code

As a company incorporated in the United Kingdom with a Premium Listing on the London Stock Exchange, Capricorn is required to report against the UK Corporate Governance Code (as published by the Financial Reporting Council and available on its website at www.frc.org.uk) (the "Code"). This statement reports compliance with the version published in July 2018. Capricorn is fully committed to achieving compliance with the principles and provisions set out in the Code and the Board is responsible for ensuring that an appropriate framework is in place to do so.

The information in this statement (together with the Strategic Report, Audit Committee Report, Nomination & Governance Committee Report, Sustainability Committee Report, Directors' Remuneration Report and Directors' Report) describes the manner in which the Company has applied the main principles of governance set out in the Code and complied with the individual Code provisions. As of this year, there are new targets for listed companies to meet on a 'comply or explain' basis, requiring disclosure on gender and ethnic minority backgrounds on the Board. Save for this element of non-compliance (which is more particularly described on pages 78 and 79) and as noted below, it is the Board's view that the Company has complied with the 2018 version of the Code throughout 2023.

Period of non-compliance

As described in our Annual Report and Accounts for 2022, on 24 January 2023, Nicoletta Giadrossi (Chair), Simon Thomson (CEO), Peter Kallos (SID), Alison Wood (Independent Non-Executive Director) and Luis Araujo (Independent Non-Executive Director) announced they would be stepping down from the Board with immediate effect. Keith Lough (Independent Non-Executive Director and Chair of Audit Committee) and James Smith (CFO) would remain in place until the general meeting to remove seven of the nine then Board members and appoint six new Directors (the "Requisitioned GM"). Catherine Krajicek and Erik B. Daugbjerg would also remain on the Board and continue post the Requisitioned GM, with the aim of ensuring an orderly transition and an appropriate continuation of governance.

It was agreed by the Board that James and Keith's retention was key to ensure the ongoing good governance of the Company and allow for an effective handover of key processes including the annual reporting/audit to the new Directors following the Requisitioned GM.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Whilst the Company remained in compliance with the vast majority of the principles of the Code during the period of its reduced membership ahead of the Requisitioned GM, there were some in respect of which it temporarily did not, most notably provisions 12, 24 and 32 of the Code, all of which relate to the minimum membership of Board committees and/or the appointment of specific Board roles. Given the short and defined duration of this non-compliance (about seven days), and the lack of any clearly required responsibilities for these committees/Board roles in that transitory period, the non-compliance did not have an impact on the standard of the Company's ongoing corporate governance. For example, there were no Directors' Remuneration Committee meetings scheduled for the interim period, nor did the Company expect there to be a significant risk that any meeting would need to be convened in the period prior to the Requisitioned GM.

Following the appointment of six new Directors to the Board and the appointment of reconstituted Board committees, those provisions of the Code were once again fully complied with.

This explanation has been reviewed by the Financial Conduct Authority, who did not raise any additional concerns.

The Board recognises that reporting in some areas will continue to evolve in future years and will continue to monitor, review and develop its governance arrangements to ensure these are effective.

The Board

It is important that the Capricorn Board has the required skills, experience and expertise to allow it to operate effectively and efficiently across a number of geographies and disciplines given the international nature of its business. The Board has, following the change in its membership in February 2023, considered the competencies of its Directors, which includes industry experience in addition to financial, regulatory, risk management and sustainability experience, to ensure that it is fit for purpose in pursuing the strategy of the Company. The new Board, which was put in place this year with these objectives fully in mind, will continually review these competencies to ensure they are appropriate for the Company's requirements, taking into account the strategy of the organisation and the environment in which it operates. Board appointments, for both executive and non-executive positions, consider an individual's objectivity and integrity along with the abilities, skills, experience and diversity that they can bring to the Board. This process is applied below Board level in senior management and other appointments, and such matters are taken into account when considering succession plans.

Independent and objective challenge from Non-Executive Directors is encouraged at Capricorn, and changes to the Board membership can support this. It is important that new perspectives are complemented with experience in the Company to provide continuity for the business and its stakeholders.

Board changes

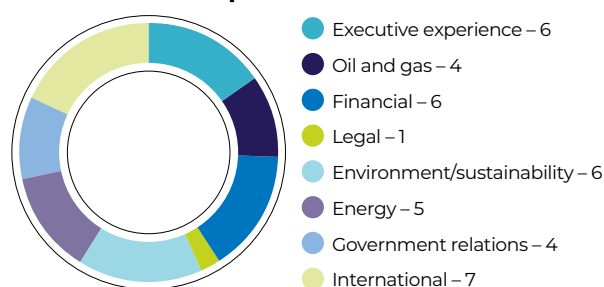
As noted previously, there was significant change at Board level during 2023 and this is described in more detail from pages 77 and 78.

The Board currently comprises one Executive Director and six Non-Executive Directors, including the Chair. The Directors of the Company as at the date of this statement are set out in the table on the right. Further biographical information about our Directors is also included in the Board of Directors section on pages 56 and 57.

Name	Role	Date of appointment (in current role)	Date of last re-election
Craig van der Laan	Non-Executive Chair	1 February 2023	26 June 2023
Randy Neely	Chief Executive	1 June 2023	26 June 2023
Maria Gordon	Non-Executive Director	1 February 2023	26 June 2023
Richard Herbert	Non-Executive Director	1 February 2023	26 June 2023
Hesham Mekawi	Deputy Chair	1 February 2023	26 June 2023
Patrice Merrin	Non-Executive Director	26 June 2023	N/A
Tom Pitts	Non-Executive Director	1 February 2023	26 June 2023

Further information on the diversity within the Capricorn Board, including in terms of its wide range of experience and expertise across the industry, governance, technical and commercial arenas, is included in the Nomination & Governance Committee Report on pages 77 to 79 and in the Strategic Report section of this Annual Report.

Current Board competencies



Division of responsibilities between the Chair and the Chief Executive

The Company has a clear division of responsibilities between the positions of Chair and the Chief Executive, which is set out in writing and agreed by the Board.

Chair: key responsibilities	Chief Executive: key responsibilities
<ul style="list-style-type: none"> Leading the Board in an ethical manner and promoting effective Board relationships; Ensuring that the Board plays a full and constructive part in the determination and development of the Company's strategy; Building a well-balanced Board, considering Board composition and Board succession; Ensuring the effectiveness of the Board and individual Directors. Overseeing the annual Board evaluation and acting on its results; Ensuring appropriate induction and development programmes for Directors; Setting the Board agenda, chairing Board meetings and overseeing implementation of the Board's decisions; and Engagement with shareholders and other stakeholders when appropriate. 	<ul style="list-style-type: none"> Managing the business and proposing and developing the Company's strategy and overall objectives in consultation with the Board; Driving the successful and efficient achievement of the Company's KPIs and strategic objectives; Leading the Executive Team in ensuring the effective implementation of decisions of the Board and its committees; Providing strong and coherent Company leadership and effectively communicating the Company's culture, values and behaviours internally and externally; and Engagement with shareholders and other stakeholders.

Senior Independent Director

At the beginning of January 2023, Peter Kallos was the Company's Senior Independent Non-Executive Director. Richard Herbert assumed the role of Senior Independent Director on his appointment on 1 February 2023.

The main responsibilities of this role are as follows:

- to provide a sounding board for the Chair and to serve as an intermediary with other Directors when necessary;
- to be available to shareholders and other stakeholders if they have any concerns, which contact through the normal channels of Chair, Chief Executive or Chief Financial Officer has failed to resolve or for which such contact is inappropriate;
- to meet with the other Non-Executive Directors without the Chair present, at least annually, in order to appraise the Chair's performance; and
- to act as Chair of the EVF.

Board performance evaluation

The annual performance evaluation process is considered by the Board as an opportunity to improve its effectiveness and to enhance its processes and procedures where appropriate. As reported in the Company's Annual Report and Accounts 2021, the performance evaluation process in 2021 was externally facilitated by Gould Consulting, in line with the Code recommendation that this evaluation be conducted by an external party at least every three years. Previously externally facilitated evaluations took place in 2018, 2015 and 2012, with evaluations conducted internally in the intervening years.

It was agreed that the Board performance evaluation for the year would be undertaken internally. The Company Secretary prepared a questionnaire to assist this process, which was reviewed and approved by the Chair and Senior Independent Director. Each Director was asked to complete the questionnaire and provide the responses to the Chair, save in respect of questions relating to the performance of the Chair, responses to which were submitted to the Senior Independent Director. A questionnaire was also sent to several members of senior management who have regular interaction with the Board. The responses to that questionnaire were submitted to the Company Secretary, who then compiled the responses and, following anonymisation, sent a summary to the Chair to assist in the evaluation process.

The reconstituted Board believes that all of the Directors now in place are effective and that each demonstrates commitment to their role.

The performance of the Executive Directors is further reviewed by the Remuneration Committee against the Group KPIs, which are set annually (further details of the KPIs and how achievement has been measured against them can be found on pages 86 to 89). The 2023 bonuses payable to the Executive Director under the Company's discretionary cash bonus scheme (described in further detail in the Directors' Remuneration Report on page 90) are linked directly to the Group's performance against these KPIs. The KPIs set out the Company's strategic objectives, ensuring that executive performance is directly linked to Group strategy.

Independence of Non-Executive Directors

The Board considers the independence of each of the Non-Executive Directors on an ongoing basis, taking into account their integrity, their objectivity and their contribution to the Board and its committees. The Board believes that the following behaviours are essential for a Director to be considered independent:

- provides an objective, robust and consistent challenge to the assumptions, beliefs and views of senior management and the other Directors;
- questions intelligently, debates constructively and challenges rigorously and dispassionately;
- acts at all times in the best interests of the Company and its shareholders and other stakeholders;
- has a detailed and extensive knowledge of the Company's business and of the market as a whole, which provides a solid background against which they can consider the Company's strategy objectively and help the Executive Director(s) develop proposals on strategy; and
- has no close ties or material relationships with the Company, either directly or indirectly.

Five of the seven Directors of the Board were nominated by a shareholder of the Company to be appointed as Directors from 1 February 2023. These Directors are independent in their appointment and have no relationship, other than by being nominated, with the nominating shareholder.

Having reviewed the independence of each of the Non-Executive Directors against these criteria, the Board concluded that all Non-Executive Directors demonstrated each of the required competencies to a high level and are, therefore, each considered independent by the Board.

Time commitment of Non-Executive Directors

The Board recognises its responsibility under the Code to take into account other demands on each Director's time, with a view to ensuring that its Directors (particularly those Non-Executive Directors who sit on other public company boards) have sufficient time to devote to their role on the Capricorn Board. Prior to appointment, each individual's other significant commitments are disclosed and there is also a policy in place to ensure that additional external appointments are not undertaken without prior consultation. The other directorships held by each Non-Executive Director (where applicable) are disclosed in the Board of Directors section on pages 56 and 57.

None of our Non-Executive Directors sit on more than three public company boards (including Capricorn) and those that do sit on other public company boards have taken appropriate steps to ensure that they have sufficient time to devote to their role on the Capricorn Board.

Re-election of Directors

In accordance with the Code, each of the Company's Directors are subject to annual re-election by shareholders. As such, each of the current Directors will seek re-election at the AGM to be held on 23 May 2024.

Induction and development

New Directors received a full and appropriate induction on joining the Board. This involves a tailored programme of meetings with other Board members, senior management and the Company Secretary.

The Company ensures that new Directors also receive additional induction support and training when assuming any additional responsibilities such as membership of Board committees. Where appropriate, the Company arranges for new Non-Executive Directors to receive additional briefings on key matters regularly discussed by the Board.

The Company provides, on an ongoing basis, the necessary resources for developing and updating its existing Directors' knowledge and capabilities. In particular, the Company is committed to the provision of continuing professional development training for its directors. In 2023, the Company continued with its practice of providing a Directors' education programme consisting of a number of seminars for Board members, which are presented by the Company's external advisers, guest speakers or members of senior management on subjects appropriate to the Company's business, including changes to legislation, regulation and market practice. During 2023, the subjects covered by these seminars included anti-bribery and corruption training as well as updates on changes to corporate governance requirements and listing requirements in the UK.

These seminars were incorporated into the schedule for the relevant Board meeting and were attended by all Directors present at such meetings. Any Director may request that a particular subject be covered in a seminar.

Information and support

The Board has full and timely access to all relevant information to enable it to discharge its duties. Under the direction of the Chair, the Company Secretary is responsible for ensuring good information flows within the Board and its committees, and between executive management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary ensures the presentation of high-quality information to the Board and its committees, and that all papers and information are delivered in a timely fashion. Board and committee papers are delivered securely through an electronic platform.

The Company Secretary is responsible for advising the Board, through the Chair, on all UK Corporate Governance Code and related matters, and each Director has access to the advice and services of the Company Secretary.

There is also a procedure agreed by the Board for Directors, in furtherance of their duties, to take independent professional advice if necessary, at the Company's expense.

Conflicts of interest

The Board has in place a procedure for the consideration and authorisation of conflicts or possible conflicts with the Company's interests. All Directors are aware of the requirement to submit details to the Company of any current situations (appointments or otherwise) which may give rise to a conflict, or potential conflict, of interest. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

Whistleblowing

The Group has a robust Whistleblowing Policy in place, through which the workforce can raise any matters of concern – further information on the Group's Whistleblowing Policy is included in the Audit Committee Report on page 75.

Matters reserved to the Board and delegation of authority

The Board has a formal schedule of matters specifically reserved to it for decision, which is divided into categories covering different types of decisions, including:

- corporate;
- Board/Directors;
- financial/operational; and
- legal/regulatory.

Board meetings

During 2023, a total of 17 scheduled meetings of the Board were held. Four of these meetings were conducted over two consecutive days following the usual format for Board meetings, described below, with another 13 shorter meetings held to update the Board and/or to approve specific matters during 2023.

Board committee meetings are also scheduled for the same dates as Board meetings and are either split over two days or scheduled for one day, depending on the number of committee meetings required. Board committee meetings take place prior to the main part of the Board meeting so that the chair of each committee can provide a report to the Board. These are followed by the remainder of the formal business of the Board meeting. The Chair also holds a short meeting with the other Non-Executive Directors (without the Executive Director).

Details of attendance at each of the Board meetings during 2023, and at meetings of each of the Board committees, are set out below. The Company has very successfully used its technological communication platforms to ensure that Directors who are unable to attend any meeting in person are still able to attend all scheduled Board and committee meetings and were also able to do so 'on camera'.

The formal agenda for each scheduled Board meeting is set by the Chair in consultation with the Chief Executive and the Company Secretary. The system for establishing agenda items means that the Chair, the Board and each of the Board committees have the confidence that all required items are included on their agenda at the most appropriate time of the year and that there is sufficient time allocated for discussion, allowing the Directors to discharge their duties effectively.

Formal minutes of all Board and committee meetings are circulated to all Directors prior to the subsequent Board meeting and are considered for approval at that Board meeting. In addition, the members of the Board are in frequent contact between meetings. There is also a procedure in place to allow Board meetings to be convened at short notice where required to deal with specific matters which need to be considered between scheduled Board meetings.

As noted above, the Non-Executive Directors have a practice of meeting informally at the end of each Board meeting without or the Executive Directors being present. At these Non-Executive forums, the Non-Executive Directors are invited by the Chair to bring forward any matter pertaining to the business of the Board that they believe would benefit from discussion in such forums. This practice also applies after Board committee meetings to ensure that Non-Executive Directors can discuss any relevant issues arising from those meetings without management being present.

Directors' attendance at 2023 Board and committee meetings

The table below sets out the attendance record of each Director at scheduled Board and committee meetings during 2023.

Board	Board	Audit Committee	Remuneration Committee	Nomination & Governance Committee	Sustainability Committee
Meetings held during 2023 ¹	17	6	10	8	1
	Meetings attended /meetings held in 2023 during directorship	Meetings attended /meetings held in 2023 during membership	Meetings attended /meetings held in 2023 during membership	Meetings attended /meetings held in 2023 during membership	Meetings attended /meetings held in 2023 during membership
Current Directors					
Craig van der Laan (Chair)	13/13	–	–	8/8	–
Randy Neely (Chief Executive)	6/6	–	–	–	1/1
Richard Herbert (Senior Independent Director)	13/13	6/6	3/3	6/6	–
Hesham Mekawi (Deputy Chair)	13/13	–	–	5/8	1/1
Maria Gordon	13/13	6/6	8/8	8/8	–
Tom Pitts	13/13	6/6	8/8	–	–
Patrice Merrin	5/5	–	–	2/2	1/1
Former Directors					
Simon Thomson (former Chief Executive)	3/3	–	–	0/0	0/0
James Smith (former Chief Financial Officer)	4/4	–	–	–	0/0
Nicoletta Giadrossi (former Chair)	3/3	–	2/2	–	0/0
Peter Kallos (former Senior Independent Director)	3/3	–	2/2	0/0	0/0
Keith Lough	4/4	0/0	–	0/0	0/0
Alison Wood	3/3	0/0	2/2	–	0/0
Catherine Krajicek	11/12	3/3	–	2/6	0/0
Erik B. Daugbjerg	11/12	–	6/7	–	0/0
Luis Araujo	3/3	–	–	–	0/0
Chris Cox (former Interim Chief Executive)	6/7	–	–	–	–

Notes:

(1) During 2023, certain Directors who were not committee members attended meetings of the Audit Committee, Remuneration Committee and Nomination & Governance Committee by invitation. These details have not been included in the table.

Board committees

Board committee structure during 2023



Each of the Board committees is provided with all necessary resources to enable them to undertake their duties in an effective manner and has formal terms of reference approved by the Board. Copies of the terms of reference, which were reviewed and updated in line with the 2018 version of the Code and approved by the Board in March 2022, are available on the Company's website. The Company Secretary acts as secretary to the Board committees. The minutes of all committee meetings are circulated to all Directors. In line with best practice, more detailed reports from the Audit, Nomination & Governance and Sustainability Committees are presented as separate reports (on pages 70 to 79) rather than including these in the Corporate Governance Statement. In addition, full details of the Company's remuneration policy are given in the separate Directors' Remuneration Report on pages 80 to 107. Summary details of the composition of each committee at the end of 2023 are set out in the following table.

Remuneration Committee

Member	Date of appointment
M. Gordon (Chair)	1 February 2023
T. Pitts	1 February 2023
R. Herbert	26 June 2023

Audit Committee

Member	Date of appointment
T. Pitts (Chair)	1 February 2023
M. Gordon	1 February 2023
R. Herbert	1 February 2023

Nomination & Governance Committee

Member	Date of appointment
C. van der Laan (Chair)	1 February 2023
M. Gordon	1 February 2023
H. Mekawi	1 February 2023
P. Merrin	26 June 2023

Sustainability Committee

Member	Date of appointment
P. Merrin (Chair)	26 June 2023 (Chair)
H. Mekawi	1 February 2023
R. Neely	26 June 2023

Shareholders and the Annual General Meeting (AGM)

Communications with shareholders are given high priority by the Board. The Company has implemented the provisions of the Companies Act 2006 regarding electronic communication with its shareholders, in order to give shareholders more choice and flexibility in how they receive information from the Company. Capricorn responds promptly to correspondence from shareholders and the Company’s website contains a wide range of information on the Company, including a dedicated investor relations section.

In order to ensure that the members of the Board develop an understanding of the views of major shareholders, there is regular dialogue with institutional shareholders, including meetings with executive management after the announcement of the year-end and half-year results. The Board is kept informed of any issues raised by shareholders both as a standing agenda item in Board papers and through feedback at Board meetings, and following results or other significant announcements. In addition, the Company maintains an investor relations database, which details all meetings with investors or other related stakeholders. All analyst reports relating to the Company are also distributed to the Board.

A list of the Company’s major shareholders can be found in the Directors’ Report on page 109. The Company recognises that the success of the comply-or-explain approach under the Code depends on an ongoing and open dialogue with shareholders, and remains committed to engaging with shareholders, as well as governance and proxy voting agencies, on any matter which they wish to discuss in relation to the Company’s governance.

During the last 18 months, certain Directors have also engaged directly (either through meetings or by telephone/written correspondence) with specific investors, investor groups and proxy advisory agencies on a range of matters including progress against strategic objectives, diversity and remuneration. During 2023, engagement with investors was of notably high importance following the strategic review and investor meetings were held either through virtual communications platforms or in person.

AGM details (2023 and 2024)	Overview
2023 AGM: held on Monday, 26 June 2023 at The Gallery, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh	<ul style="list-style-type: none"> – Full Director attendance other than Richard Herbert, who was out of the country on the date of the meeting – Twelve ordinary resolutions and five special resolutions passed by shareholders
2024 AGM: to be held on Thursday, 23 May 2024 at The Cellar Room, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh (full details in Notice of AGM)	<ul style="list-style-type: none"> – 15 ordinary resolutions and 4 special resolutions proposed for shareholder approval.

It is policy for all Directors to be present at the AGM, when possible, with the Chair of each of the Board committees also expected to attend and be prepared to answer shareholder questions on areas within their remit.

The proxy votes for and against each resolution, as well as abstentions, will be counted before the AGM and the results will be made available following the meeting after the shareholders have voted in a poll on each resolution. Both the Form of Proxy and the poll card for the AGM include a ‘vote withheld’ option in respect of each resolution to enable shareholders to abstain on any particular resolution. It is explained on the Form of Proxy that a ‘vote withheld’ is not a vote in law and will not be counted in the calculation of the proportion of the votes ‘for’ or ‘against’ a resolution.

Information pursuant to the Takeover Directive

The Company has provided the additional information required by the Disclosure and Transparency Rules of the UK Listing rules (and specifically the requirements of DTR 7.2.6 in respect of Directors’ interests in shares; appointment and replacement of Directors; powers of the Directors; restrictions on voting rights and rights regarding control of the Company) in the Directors’ Report.

Internal control

The Board has overall responsibility for the Group’s system of internal control, which includes all material controls, including financial, operational and compliance controls and related risk management, and for regularly reviewing its effectiveness. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Group’s strategic objectives. Because of the limitations inherent in any system of internal control, Capricorn’s system is designed to meet its particular needs and the risks to which it is exposed, with a focus on managing risk rather than eliminating risk altogether. Consequently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has in place an Integrated Internal Control and Assurance Framework (the “Framework”), which plays a critical role in setting out how the Company manages and assures itself that the risks relating to the achievement of corporate vision, strategy and objectives are effectively controlled. The Framework is based on the Committee of Sponsoring Organisations (COSO) framework and its five key components, which is a commonly used and recognised international framework for considering internal control systems. The COSO framework seeks to help organisations develop systems of internal control which help facilitate the achievement of business objectives and improvements in Company performance. The COSO framework also supports organisations in adapting to increasingly complex business environments and managing risks to acceptable levels with the aim of safeguarding shareholders’ interests and Company assets.

The Framework has been in place for the 2023 financial year and up to the date of approval of the Annual Report and Accounts. The Board, supported by the Audit Committee, has carried out a review of the effectiveness of the systems of internal control during 2023 and will ensure that a similar review is performed in 2024. In so doing, the Board and Audit Committee took into account the assurance provided by the year-end internal control report in respect of the effectiveness of the Group’s system of internal control. The Board is accordingly satisfied that effective controls are in place and that risks have been mitigated to a tolerable level across the Group in 2023.

Particular attention has been placed by the Company’s management on ensuring that an effective system of internal control has been maintained during the year in relation to the key risks in the Company’s business activities.

Enhancements have been made during 2023 to the following key controls, business processes and procedures:

- compliance certificates were completed by all staff members and contractors confirming compliance with the Group's Code of Ethics;
- several activities were completed to enhance our bribery and corruption controls across the business, including the completion of country-specific risk assessments for Egypt, which supplemented the overarching Group risk assessment already in place;
- a compliance dashboard was maintained to assess compliance with several key regulations impacting the Group, including the UK Bribery Act, the GDPR, the corporate criminal offence for the failure to prevent the facilitation of tax evasion, the Group's corporate major accident prevention policy (CMAPP) and modern slavery. The dashboard was presented at each Risk Management Committee meeting and annually to the Audit Committee as part of the year-end control assessment. There were no material weaknesses identified;
- to ensure awareness, understanding and compliance on important governance, regulatory and security topics, mandatory e-learning was implemented across the Group, which included comprehensive modules on bribery and corruption, CMAPP, CRMS, human rights, modern slavery, cyber security, cyber fraud and tax evasion. Bespoke training was also provided to the Egypt and Mexico offices on bribery and corruption.

The following describes the key elements of the Framework and the processes used by the Board during 2023 to review the effectiveness of the system and the approach to be taken in 2024.

1. Strategic direction

The Company's strategy and business plan are debated by and approved by the Board. The Chief Executive is responsible for managing the Company's business and implementing the Company's strategic objectives in consultation with the Board. The Chief Executive is also responsible for implementing the decisions of the Board and its committees and driving performance measured against the Company's KPIs.

2. Operating management

The Company refreshes its work programme and budget on an annual basis in line with its overall strategy.

3. Risk management

The Board is responsible for maintaining sound risk management and internal control systems across the Capricorn Group. The Board must satisfy itself that the significant risks faced by the Group are being managed appropriately and that the system of risk management and internal control is sufficiently robust to respond to internal or external changes in the Group's business environment.

The Group Risk Management Process defines the steps through which Capricorn seeks to systematically identify, analyse, assess, treat and monitor the business risks faced by the Group. The Group Risk Management Process also identifies the risk management organisational structure through which business risks are managed and regularly reviewed at operating-, asset-, country- and Company-levels. Asset-level, project-level, country-level and functional-level risk registers are used to capture, assess, monitor and review risks before the principal risks are consolidated into the Group risk register.

4. Assurance

The 'three lines of defence' framework adopted by the Board provides three levels of assurance against the risks facing the Company: firstly at the operational level; secondly through overview by functional management and the Risk Management Committee; and thirdly through internal or joint venture audits.

The integrated internal control and assurance framework document includes a description of the Company's business and assurance models and of its organisation and committee structure, and defines the relevant roles and responsibilities. The framework defines the key policies and procedures which govern the way in which Capricorn conducts its business and is therefore a core part of its system of internal control.

During 2023, the Directors reviewed the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and high-level internal control arrangements through the completion of internal control self-assessment questionnaires. These questionnaires, which are tailored to each region or function, are designed to provide an internal assessment of the effectiveness of key controls for the Group's principal risks.

Additionally, assurance maps for principal risks are developed, which outline the key sources of assurance across the 'three lines of defence'. The 'three lines of defence model' is a method of assessing different sources of assurance the Group can rely on when analysing key risks and controls. Assurance is gained through the application of the business management system, which directs the day-to-day running of the business (first line), the oversight functions within Capricorn which provide challenge to the risk and control environment (second line) and any third-party reviews the Group instructs to assess the status of a risk/control (third line). The assurance maps help identify potential areas of control weakness and/or ineffective use of assurance resources across the Group, which influenced the topics included in the 2023 Group internal audit plan.

The Directors derived assurance from the following internal and external controls during 2023:

- a schedule of matters specifically reserved for decision by the Board;
- implementation of the Capricorn Operating Standards for key business activities;
- an appropriate organisational culture and structure;
- control over non-operated joint venture activities through delegated representatives;
- specific delegations of authority for all financial transactions and other key technical and commercial decisions;
- segregation of duties where appropriate;
- business and financial reporting, including KPIs;
- functional management reviews;
- an annual 'letters of assurance' process, through which asset and functional managers review and confirm the adequacy of internal financial and non-financial controls and their compliance with Company policies, and report any control weaknesses identified in the past year and actions taken in respect of any weaknesses identified in the prior year;
- an annual internal audit plan, which is approved by the Audit Committee and Board, and is driven by risks and key controls;
- reports from the Audit Committee and Risk Management Committee;
- reports from audits by host governments and co-venturers;
- independent third-party reviews; and
- the skills and experience of the workforce.

Craig van der Laan
Chair

28 March 2024

AUDIT COMMITTEE REPORT



Tom Pitts
Chair
Audit Committee

Members and meetings in 2023

	Member since	Resigned	Meetings attended/ meetings held in 2023 during membership
Tom Pitts (Chair)	February 2023	–	6/6
Maria Gordon	February 2023	–	6/6
Richard Herbert	February 2023	–	6/6
Keith Lough (previous Chair)	May 2014	January 2023	–
Catherine Krajicek	July 2019	June 2023	3/3
Alison Wood	July 2019	January 2023	–

Dear Shareholder

The Audit Committee continues to provide strong governance over the Group's financial reporting, ensuring that appropriate accounting policies are applied, while challenging key-underlying estimates and assumptions. The Audit Committee conducted a tender process for the external audit and continued to monitor the internal audits that were conducted in the period.

Composition of the Audit Committee

Following the changes to the Capricorn Energy PLC Board, I was appointed Chair of the Audit Committee in February 2023. Serving alongside me are my fellow, newly appointed Independent Non-Executive Directors, Maria Gordon and Richard Herbert. Catherine Krajicek stood down from the committee following the 2023 AGM.

The members of the committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil these duties. Maria and Richard are considered by the Board to be independent.

Summary of Audit Committee meetings during 2023 and subsequent to the year-end

The Audit Committee met six times in 2023, with meetings arranged around the key external reporting dates. The first two meetings in March and April 2023 focused on the 2022 year-end external audit process (reported in the 2022 Annual Report and Accounts). Meetings in June, July and September centred on the Group's half year reporting and a December meeting focused on planning for the 2023 year end. Two subsequent meetings in March 2024 were also focused on the 2023 year end process.

Meetings are attended by senior Capricorn staff from finance, commercial and risk management departments as appropriate. The Group's Chief Executive Officer, Randy Neely, also attended all meetings following his appointment in June 2023. The Group's external auditors also attend all meetings.

Responsibilities and activities during the year

The Audit Committee's primary responsibilities include the integrity of the Group's Financial Statements, the effectiveness of the Group's risk management and internal assurance processes and related governance and compliance matters.

The terms of reference of the committee take into account the requirements of the UK Corporate Governance Code and are available for inspection on the Group's website. A summary of the committee's principal responsibilities and activities during the year are set out below.

	Principal responsibilities of the committee	Activities during the year	Key areas formally discussed
Financial Statements	<ul style="list-style-type: none"> – Monitoring the integrity of the Financial Statements of the Group and formal announcements relating to the Group's financial performance. – Reviewing any significant financial reporting judgements. – Reviewing the appropriateness of accounting policies, their consistent application and disclosures in financial statements. 	<ul style="list-style-type: none"> – March 2023: 2022 Financial Statements update. – April 2023: 2022 Financial Statements approval. – June 2023: Half-year key accounting issues. – July 2023: Half-year results update – September 2023: Approval of half-year financial statements. – December 2023: Year-end key accounting issues overview. – January 2024: Year-end updates; key estimates and assumptions. – March 2023: Approval of 2023 year-end financial statements. 	<ul style="list-style-type: none"> – Going concern conclusions, linkage to the viability statement. – Significant accounting issues at the half-year and year-end (see page 72). – Matters raised by the Financial Reporting Council (FRC) on disclosures within the 2022 Financial Statements.
External audit	<ul style="list-style-type: none"> – Overseeing the Group's relationship with the external auditors, including: <ul style="list-style-type: none"> • making recommendations to the Board as to the appointment or reappointment of the external auditor. • reviewing their terms of engagement and engagement for non-audit services. • monitoring the external auditor's independence, objectivity and effectiveness. 	<ul style="list-style-type: none"> – At each meeting, the committee receives an updated report from the external auditors, which either explains their plans and scope for the forthcoming audit or review, or contains the conclusions from their work performed. – During 2023, the Group ran a tender for the external audit process culminating in presentations from the competing firms at the December 2023 Audit Committee meeting. 	<ul style="list-style-type: none"> – Reviewing the external auditor's scope and audit plan for the 2023 year-end. – Discussing the materiality levels set by the auditor. – Approval of the auditor's remuneration. – Consideration of the results of the external audit with the auditor and management. – Assessment of the effectiveness of the external audit (see overleaf). – Recommendation to the Board for appointment of auditors following the tender process.
Internal risk management and assurance	<ul style="list-style-type: none"> – Reviewing the Group's internal financial controls and internal control and Risk Management systems and oversight of the Group's Risk Management Committee. – Monitoring and reviewing the effectiveness of the Group's internal audit function. 	<ul style="list-style-type: none"> – At each meeting, the Audit Committee receives: <ul style="list-style-type: none"> • An update from management on the latest Risk and Assurance Committee meetings and risk management process; and • a report from the internal auditors, tracking the progress of internal audits and their output and recommendations. – In December, the Audit Committee agreed on the proposed programme of internal audits for 2024. 	<ul style="list-style-type: none"> – Reviewing the Group's corporate and operational risk register. – Reviewing reports on the activities of the Risk Management Committee. – Selection of internal audit work planned for 2023 and 2024. – Assessment of key findings raised from internal audits conducted in the year.
Whistleblowing procedures	<ul style="list-style-type: none"> – Reviewing the Group's whistleblowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow-up action. 	<ul style="list-style-type: none"> – The committee's annual review and approval of the Group's whistleblowing procedures was performed at the December 2023 meeting. 	<ul style="list-style-type: none"> – Reviewing and approving of the Group's whistleblowing procedures.
Other matters	<ul style="list-style-type: none"> – Reviewing the Group's policy for approval of non-audit work to the Company's auditor. – Reviewing booking of Group reserves and resources. 	<ul style="list-style-type: none"> – The committee's annual review and approval of the Group's policy for approval of non-audit work was undertaken at the December 2023 meeting. – Richard Herbert has taken over as Chair of Capricorn's Reserves and Resources Reporting Committee, providing direct oversight to the Audit Committee. 	<ul style="list-style-type: none"> – Review and approval of the Group policy for approval of non-audit work to the Company's auditor. – Classification of reserves and resources for disclosure in the Annual Report.

AUDIT COMMITTEE REPORT CONTINUED

The review of the Annual Report and Accounts for fair balanced and understandable presentation and disclosure, while considered by the Audit Committee, is formally performed and approved by the full Board.

Financial Statements

At each reporting date, the Audit Committee reviews the results for the relevant period and the key assets and liabilities in the Group balance sheet, focusing on the key estimates, assumptions and judgements that management has used in applying the relevant accounting standard.

The key issues identified at the December 2023 year-end were: the impairment review performed on the Group's property, plant and equipment development/producing assets and goodwill, the settlement of contingent consideration receivable, a prior year adjustment restating Egypt working capital, a change in accounting policy regarding exploration/appraisal, which was made at the half-year results to 30 June 2023, and the accounting treatment and disclosure of the tax demand relating to divested interests in Senegal. As always, the assessment of the ability of the Group to continue to operate as a going concern and the viability statement is also considered by the Audit Committee.

2023 year-end significant accounting issues

Impairment review

Reductions to reserve estimates indicated that impairment may exist on Egypt development/producing assets and related goodwill and these were tested for impairment along with goodwill allocated to the Egypt operating segment.

Audit Committee action

The Audit Committee reviewed indicative reserve numbers and related impairment workings based on internal management estimates of reserves. With the third-party reserves review nearing completion, after further consideration, the Committee decided that it was appropriate to use independently verified third-party reserve estimates as the base for impairment testing.

The Audit Committee also reviewed the key estimates prepared by management that impact the valuation of the assets in the impairment test, including assumptions around the level and timing of future capital expenditure in Egypt, and the assumption on the collection of receivables.

Audit Committee conclusions

The Committee reviewed the key assumptions applied by management and were satisfied that these were appropriate for to calculate the fair value the assets at the year end, including assumptions on the recommencement of drilling operations and the collection of receivables.

The audit committee were satisfied that the impairment changes had been properly recorded.

Settlement of Waldorf earnout receivable

Deferred consideration due to Capricorn through the earnout due by Waldorf on North Sea assets previously disposed of, was settled in the period through a combination of cash and a proposed asset transfer.

Audit Committee action

The Audit Committee reviewed the calculation of the loss on disposal of the earnout receivable, noting the assumptions that management had applied to establish the fair value of the Columbus asset to be received as part of the consideration and the expected credit loss adjustment applied to the receivable due early 2025. The Audit Committee also considered the reversal of the deferred tax liability that occurred as a result of the transaction.

Audit Committee conclusions

The Audit Committee were satisfied that the valuation adopted by management, using the cash alternate in the sales agreement should the necessary approvals not be received, was an appropriate measure of fair value and largely consistent with the Group's internal models. The Committee were also satisfied with managements calculation of the expected credit loss adjustment, noting an unadjusted but immaterial difference on the calculation reported by the auditors.

Prior year adjustment: Correction of working capital joint operating creditors and development/producing assets

An opening cost adjustment, processed in 2022, was found to be incorrect following the receipt of updated information from the management operator. This correction has been recorded as a prior year adjustment in the financial statements.

Audit Committee action

The Audit Committee reviewed the prior year restatement proposed by management. The justification for the opening cost adjustment made in 2022 was revisited in light of the new information obtained by management after being granted access to the source ledgers of the Bapetco operating company. The Committee reviewed the \$29.2m opening adjustment and the implications on the current year's closing working capital position.

Audit Committee conclusions

The Audit Committee challenged management on whether the adjustment was truly a prior year error and were satisfied with managements response and agreed with the decision to adjust opening balances.

Change in accounting policy for exploration assets

Following conclusion of the strategic review, the Audit Committee gave further consideration to the Group's accounting policy for exploration and appraisal assets.

Audit Committee action

For the year ended 31 December 2022, the Audit Committee concluded that, as Capricorn continued to execute an exploration-focused strategy during 2023, it was appropriate to maintain the Group's existing policy of capitalising all exploration and appraisal costs, pending allocation to successful or unsuccessful exploration wells, or impairment on cessation of exploration activity.

Following completion of the strategic review in H1 2023 and the change in the business to a production-focused business, the Audit Committee concluded that a change to a full successful efforts accounting policy provided more reliable and accurate representation of the Group's financial position and underlying performance for the users of the financial statements.

Audit Committee conclusions

The Audit Committee reviewed the adjustments processed by management on the change in accounting policy and the accompanying disclosures in the financial statements and were satisfied with the adjustments between old and new accounting policies disclosed in the financial statements.

Senegal tax assessment

Capricorn received notification from Woodside of an assessment from the tax authority in Senegal. Two of the items raised in the assessment impact Capricorn under the terms of the SPA entered into with Woodside.

Audit Committee action

In December 2023 Capricorn received notification that the Senegal tax authorities had raised an assessment against Woodside, the Company that acquired the assets from Capricorn, including two items relating to Capricorn's period of ownership, being a claim for registration duties payable on transfer of assets from Capricorn to Woodside and a capital gains tax assessment on the transfer.

The Audit Committee considered the claims made by the tax authorities, noted the Company's disclosure as a contingent liability and considered whether this was appropriate or whether any provision should be made in the financial statements.

Audit Committee conclusions

The Audit Committee considered the matters raised in the tax assessment and the key assumptions applied by management in determining that the proposed disclosure as a contingent liability was appropriate. The Audit Committee were satisfied that, given the merits of the defence prepared by management, that it was inappropriate to make provisions in the financial statements at this time.

Going concern and viability

At each reporting date, management considers the factors relevant to support a statement of going concern included in note 1.2 to the Financial Statements. The Audit Committee reviews and challenges management's conclusions so that we may, in turn, provide comfort to the Board that management's assessment has been considered, challenged and is appropriate.

The Audit Committee carefully reviewed management's going concern conclusion based on the Group's latest cash and debt position, separating the Egypt business from the remaining Group. Downside case assumptions were reviewed, run with sustained low oil prices, reduced production and cost increases. In all cases, the Group retained a funding surplus confirming the ability to meet firm commitments over the period of 12 months from the date of signing the Financial Statements. Downside cases run on the Egypt business include the possibility of default on the loan facilities and potential future impairment, but does not impact the Group's ability to continue to operate as a going concern. The Audit Committee subsequently recommended to the Board that the Group continues to use the going concern basis in preparing its Financial Statements.

The committee also reviews and challenges management on the sensitivity analysis performed to support the Group's viability statement, included in the Strategic Report on page 41. The viability statement review included assessing both the operational and corporate risks identified by management. Following this challenge, the committee recommended approval of the viability statement to the Board.

External audit

The current version of the UK Corporate Governance Code states companies should put the external audit contract out to tender at least every 10 years. PricewaterhouseCoopers (PwC) were appointed as external auditors of the Group in 2013, on the recommendation of the Audit Committee at that time. The 2022 year-end audit was therefore the 10th year of PwC's tenure as Group auditors. Following the announcements of proposed merger combinations during 2022, the Audit Committee wrote to the FRC seeking a one-year extension to the tender process. The FRC granted the Company's request agreeing that with the proposed transactions, running a robust tender process would not be possible. As such, PwC continued as the Group's auditor for the year ending 31 December 2023.

The Group's delayed re-tender process took place during 2023 with the incumbents PwC and two challenger firms invited to present their proposals to the Audit Committee. After due consideration by the Audit Committee, it was agreed to propose the re-appointment of PwC for the external audit at the AGM in 2024. Bruce Collins remains lead audit partner and the 2023 year-end represents his third year in this role.

AUDIT COMMITTEE REPORT CONTINUED

Assessment of external audit process

The Audit Committee has an established framework to assess the effectiveness of the external audit process that will continue going forward. This comprises:

Audit Committee action	Audit Committee conclusion
An assessment of the independence of the auditors.	The Audit Committee considered PwC to be independent.
A review of the audit plan including the materiality level set by the auditors and the process they have adopted to identify Financial Statement risks and key areas of audit focus (summarised in the Independent Auditors Report on pages 116-121).	The Audit Committee accepted the level of materiality set by the auditors.
A review of the Audit Quality Inspection (AQI) report on our auditor, published by the FRC with particular emphasis on any key messages applicable to Capricorn.	There were no matters raised in the AQI report that caused concern for the Audit Committee.
A review of the final audit report, noting key areas of auditor judgement and the reasoning behind the conclusions reached.	The Audit Committee reviewed findings on the key audit issues identified. The committee was satisfied that appropriate challenge had been made of management and that the audit process was robust.
Regular communications through formal papers submitted and presentations to the committee, including a review by the committee of the extent to which the auditors have challenged management.	The audit plan for the year ending 31 December 2023 was presented to the Audit Committee in November 2023 and is summarised in the Independent Auditor's Report on pages 116-121. Audit findings on significant matters are presented to the Committee, together with the work performed by the auditors to challenge management's key estimates and assumptions.
Separate meetings were held between myself and my predecessor as Chair of the Audit Committee and the lead audit engagement partner.	Separate meetings were held regularly during the year, both with myself and my predecessor as Chair.
A formal questionnaire issued to all Audit Committee members and senior Capricorn management who are involved in the audit covering the robustness of the audit process, the quality of delivery, the quality of reporting and the quality of the auditor's people and service.	The Audit Committee was satisfied with the robustness of the audit process.

Of particular focus for the committee is the assessment of the judgement applied by PwC during each stage of the audit process, including setting audit materiality, identifying the risks to the Financial Statements, evaluating audit findings and communicating those areas of judgement to the committee.

The Audit Committee noted the level of planned materiality and agreed on the levels of misstatements to be reported to the committee. The final audit report was presented to the Audit Committee in March 2024. The committee agreed with the conclusions reached by the auditors, noting the degree of judgement around areas of significant audit risk.

The significant accounting issues identified by the Audit Committee were fully discussed with the auditor. There were no other specific areas that the Audit Committee requested the auditors to look at.

At each committee meeting, the auditor presents an update on their progress and, where appropriate, conclusions on their half-year review and full-year audit, and how the audit has been conducted in relation to the plan presented to the Audit Committee, with the committee able to challenge the audit at any point.

Internal risk management and assurance

The Audit Committee reviews the Group's principal risks at each meeting. The Group Risk Management Committee meet in advance of the Audit Committee and minutes are reviewed by the Audit Committee and follow-up queries addressed with management. The Group's risk management project plan is also presented with the Audit Committee closely monitoring the close out of recommendations raised during completed internal audits as well as noting progress of ongoing audits and plans for future audits, ensuring they remain on schedule. The Audit Committee also complete an annual review of management's formal internal controls assessment.

The Group's principal risk dashboard is updated in advance of every meeting and changes to operational and corporate risks noted and discussed. The Audit Committee will challenge management on the classification of risks where further clarification is sought on either the assessment of the likelihood of a risk materialising or its estimated financial impact.

Internal audit

Following a re-assessment of Group's approach to internal audit, the Audit Committee decided to bring management of the internal audit process in-house. During the period two internal audits were conducted on the Group travel and expenses policy and over access controls on key finance systems. The key findings from both audits, all either low or medium risk, were reviewed by the committee with future actions agreed with management.

The Group's external auditor did not place any reliance on the work undertaken by the Group's internal audit function due to the nature of the scope and the timing of their work. Going forward the Audit Committee will discuss areas of focus with the external auditors in developing their audit plan to ensure that future internal audits are aligned to ensure no duplication as the Audit Committee continue to ensure that the Group's controls are operating effectively.

Working responsibly – whistleblowing and related policies

The Group is committed to working responsibly as part of its strategy to deliver value for all stakeholders. This means delivering value in a safe, secure, environmentally and socially responsible manner.

As part of this, the Audit Committee is responsible for ensuring the Group has a robust Whistleblowing Policy in place and this policy is reviewed annually by the committee. The Group's current version of the policy was first presented to, and approved by, the Audit Committee at the March 2022 meeting and most recently reapproved at the November 2023 meeting.

The committee is also responsible for and is satisfied that arrangements are in place for the proportionate and independent investigation of possible improprieties in respect of financial reporting and other matters and for appropriate follow-up action.

The Group has in place a comprehensive anti-bribery and corruption management system and Code of Ethics. Regular training updates are provided to all employees and long-term contractors in addition to the training that is provided to all new staff joining the Company. As Capricorn enters new countries, monitoring is undertaken and training is refreshed. Further information regarding these policies can be found on the Group's website.

Communication with the FRC

In October 2023, Capricorn received notice from the FRC that a review of the Group's 2022 Annual Report and Accounts had been conducted in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. There were no formal questions or queries raised by the FRC on completion of their review. The FRC did provide several suggestions for improvements to disclosure in the Group's Annual Report and these were considered by the Audit Committee in advance of the 2023 report being approved.

The FRC review is based solely on the Annual Report and Accounts, and does not benefit from detailed knowledge of Capricorn's business or an understanding of the underlying transactions entered into. It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The review provides no assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided to it but to consider compliance with reporting requirements. The FRC's communication of their findings is written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on it by the Company or any third party, including but not limited to investors and shareholders.

Other matters

Provision of non-audit services

Capricorn has a long-established policy in relation to the supply of non-audit services by the external auditor. The Group will engage an external adviser to provide non-audit services on the basis of the skills and experience required for the work, where benefit will be derived as a result of the third party's knowledge of the Group and at a reasonable cost. These advisers may include the Group's external auditor, under a restricted set of circumstances, although, before the engagement commences, the Audit Committee must be satisfied that the auditor's objectivity and independence would not be compromised in any way as a result of being instructed to carry out those services.

The policy on approval of non-audit fees for the Group's auditor is reapproved annually. All non-audit fees should be approved by the Audit Committee in advance of the engagement with a practical workaround of only seeking approval from the committee Chair, rather than seeking full committee approval, in advance for fees below an approved threshold of £100,000. This approval will then be ratified at the next meeting of the committee.

The policy is available online on the Group's website.

PwC provided other services during the year including audit-related services on corporate transactions and non-statutory audits of the Group's timewriting recharges to operated assets.

A full analysis of remuneration paid to the Group's external auditor in respect of both audit and non-audit work is provided in note 7.5 to the Financial Statements.

Board and committee performance evaluation

Details of Board and Audit Committee performance can be found on page 65.

Tom Pitts

Audit Committee Chair

28 March 2024

SUSTAINABILITY COMMITTEE REPORT

Patrice Merrin Chair Sustainability Committee



Members and meetings in 2023

	Member since	Resigned	Meetings attended/ meetings held in 2023 during membership
Patrice Merrin (Chair)	June 2023	–	1/1
Hesham Mekawi	February 2023	–	1/1
Randy Neely	June 2023	–	1/1
Catherine Krajicek (previous Chair)	March 2022 (Chair from February 2023)	June 2023	–
Erik B. Daugbjerg	March 2022	June 2023	–
Nicoletta Giadrossi (previous Chair)	March 2022	January 2023	–
Luis Araujo	March 2022	January 2023	–
Peter Kallos	March 2022	January 2023	–
Keith Lough	March 2022	January 2023	–
James Smith	March 2022	January 2023	–
Simon Thomson	March 2022	January 2023	–
Alison Wood	March 2022	January 2023	–

I am pleased to present Capricorn's Sustainability Committee Report for 2023.

Matters of environment, safety, social responsibility and sustainability are considered within each Board deliberation and decision and are, therefore, a key element of the Company's Board meetings. It is important that leadership sets the tone from the top, particularly in relation to setting strategy and metrics, and therefore the Board established a dedicated committee in March 2022 to review sustainability initiatives and reporting. Delegating the responsibilities which originally sat with the Board allows additional focus and scrutiny. It is intended that the Sustainability Committee will look to identify areas where Capricorn can improve, as well as ensuring high standards of governance and reporting in this area.

The membership of the committee upon its formation was the full Board of Capricorn, enabling the committee to establish its role during its inception year. From June 2023, I was pleased to be appointed the Chair of the Sustainability Committee and am joined in membership of the committee by Randy Neely and Hesham Mekawi, both of whom have extensive industry knowledge and awareness of the importance of sustainability in this industry and wider environment as we move through the energy transition.

The remit of the committee includes:

- advising and supporting the Board in the drafting of the sustainability and net zero roadmap, and assessing its progress and reviewing disclosures being made regarding the roadmap;
- reviewing the policies, practices and performance relating to sustainability and the disclosures and annual reporting on sustainability;
- reviewing the policies, practices and performance relating to safety, including in particular regarding the safe and responsible performance of the Group's operations;
- reviewing the policies, practices and performance relating to social responsibility; and
- reviewing the policies, practices and performance relating to environmental matters including, in particular, protection of the environment and disclosure of GHG emissions.

Due to the ongoing strategic review and considerable, company-wide changes, only one meeting of the Sustainability Committee was held in 2023; however, the committee and Board are committed to returning this to at least two meetings annually going forward. The meeting of the committee took place in September 2023, with full committee attendance, and considered, amongst those matters listed above, the following key issues:

- progress against Capricorn's net zero commitment and ESG performance, including an assessment against key agencies and peers;
- engagement with key stakeholders across all strategic areas related to ESG;
- Capricorn's commitment to operate with No Net Biodiversity Loss and its tool to screen corporate social responsibility projects against UNSDGs to maximise the community benefits of the Company's social investment strategy; and
- Capricorn's commercial resilience to physical climate risks and an evaluation of any vulnerability within regional climate models.

The Sustainability Committee will also continue to receive updates from management on ESG performance across the business as well as the development of TCFD reporting in the future.

Of absolute importance to the Company is its illustrative pathway to Scope 1 and Scope 2 net zero. This pathway, and the work that has commenced on delivering it, was considered by the committee during the year. Our stakeholders rightly place significant importance on this pathway and we will continue to focus on this as a key objective of the organisation in 2024. Further information on the Company's net zero pathway and other sustainability matters can be found in the Strategic Report on pages 18 to 31.

Patrice Merrin
Sustainability Committee Chair

28 March 2024

NOMINATION & GOVERNANCE COMMITTEE REPORT

Craig van der Laan Chair Nomination & Governance Committee



Members and meetings in 2023

	Member since	Resigned	Meetings attended/ meetings held in 2023 during membership
Craig van der Laan (Chair)	February 2023	–	8/8
Maria Gordon	February 2023	–	8/8
Hesham Mekawi	February 2023	–	5/8
Patrice Merrin	June 2023	–	2/2
Richard Herbert	February 2023	June 2023	6/6
Catherine Krajicek	March 2022	June 2023	2/5
Nicoletta Giadrossi (previous Chair)	May 2018	January 2023	0/0
Keith Lough	May 2015	February 2023	0/0
Peter Kallos	September 2015	January 2023	0/0
Simon Thomson	March 2013	January 2023	0/0

Capricorn's Nomination & Governance Committee plays a leading role in ensuring that the composition of the Board is appropriate to enable the Company to deliver on its strategic aims whilst promoting its values and culture. It is vital that the Board has in its membership what is needed to provide appropriate challenge and effective leadership for the business, and the committee looks to ensure the Board maintains the correct balance of skills and representation. Board succession is an important area of planning for the ongoing success of the Company and is a key focus of the Nomination & Governance Committee.

The membership of the committee during 2023 is set out in the table above and following Simon Thomson's resignation, is comprised solely of Independent Non-Executive Directors.

The remit of the Nomination & Governance Committee includes:

- reviewing and evaluating the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board;
- giving full consideration to succession planning for Directors and other senior executives, ensuring plans are in place for orderly succession and taking into account the Company's strategy and the challenges and opportunities that it faces;
- overseeing the development of a diverse pipeline for succession;
- ensuring that appointments made to the Board promote diversity of gender, social and ethnic backgrounds;

- monitoring the operation of the UK Corporate Governance Code and its implementation and compliance by the Company;
- reviewing developments in corporate governance and advising the Board with respect to developments in the law and practice of corporate governance; and
- reviewing and approving changes to the Board's corporate governance practices and policies.

Board changes

As disclosed in last year's annual report, a general meeting of shareholders was held on 1 February 2023 to consider resolutions to remove seven of the nine Directors on the Board, and to appoint six new Directors. In advance of that general meeting, five Directors, including the then Chair, Nicoletta Giadrossi, and CEO, Simon Thomson, stepped down from the Board. Keith Lough and James Smith remained on the Board up to the date of the general meeting and Catherine Krajicek and Erik B. Daugbjerg temporarily continued as Non-Executive Directors to ensure ongoing oversight of reporting obligations and other corporate governance requirements. For the week preceding the general meeting, the Nomination & Governance Committee membership consisted of Keith Lough and Catherine Krajicek, both of whom were Independent Non-Executive Directors.

On 1 February 2023, six new Directors were appointed to the Board by shareholder vote to sit alongside existing Board members, Catherine Krajicek and Erik B. Daugbjerg. On the same date, it was agreed that the membership of the Nomination & Governance Committee would comprise myself, as Chair of the committee, Maria Gordon, Richard Herbert and Hesham Mekawi. The newly formed Nomination & Governance Committee carefully considered the roles of Chair of the Board, Senior Independent Director and Chief Executive. The committee evaluated the balance of skills, knowledge, independence, experience and diversity on the Board and considered candidates on merit and against objective criteria and, within that context, sought to ensure that any appointment made would promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, ensuring also that appointees would have enough time available to devote to the relevant position. No member of the Nomination & Governance Committee, who was also a proposed appointee, would vote on his or her own appointment. After careful consideration, it was recommended to the Board, by whom it was agreed, that I be appointed as Chair of the Board, Richard Herbert be appointed as Senior Independent Director and that Chris Cox be appointed as an Executive Director of the Company to serve as Interim Chief Executive Officer, each appointment being made with immediate effect.

NOMINATION & GOVERNANCE COMMITTEE REPORT CONTINUED

On 11 April 2023, it was announced that Erik B. Daugbjerg and Catherine Krajicek would not be standing for re-election at last year's AGM, therefore leaving the Board with effect from 26 June 2023. Following this announcement, the Company looked to appoint at least one additional Non-Executive Director, with the aim of complementing and enhancing the skillset of the current Board, as well as improving the diversity of the Board. Independent third-party search agency Heidrick & Struggles was engaged to assist with the assessment of potential candidates and on 18 May 2023 it was announced that the Company intended to nominate Patrice Merrin as an Independent Non-Executive Director at last year's AGM, therefore providing shareholders the opportunity to elect Ms Merrin. Ms Merrin's appointment was approved at the AGM and she became a Director and a member of the Nomination & Governance Committee with effect from 26 June 2023. Furthermore, to address the balance of the committee memberships following Catherine and Erik's departure from the Board, Richard Herbert stepped down as a member of the Nomination & Governance Committee and was appointed as a member of the Remuneration Committee each with effect from the 26 June.

Meanwhile, on 1 June 2023, following consideration of his professional skills, business background and experience, and an assessment of his suitability for the permanent CEO role considering the Company's refocused strategic goals, Randy Neely was appointed as CEO of the Company and Chris Cox stepped down from this role. The Company did not instruct an independent recruitment consultant in connection with Randy's appointment, he was identified as a suitable potential candidate by industry contacts and his appointment was unanimously approved by the Board.

With effect from 26 June, Hesham Mekawi was appointed Deputy Chair of the Company, a role which encompasses working in close collaboration with the CEO in his efforts to address the Group's priorities in Egypt and deputising the Chair when he is unavailable.

Succession planning

The Nomination & Governance Committee regularly considers the combination of skills, experience, independence and knowledge of the Company and makes recommendations as appropriate. Diversity is an important principle of a well-functioning Board and encompasses multiple aspects, including gender diversity, social and ethnic diversity, and cognitive diversity to ensure the avoidance of groupthink, and personal strengths and experience. All appointments are made on merit and objective criteria, promoting the diversity principles.

Working together, the Board and Nomination & Governance Committee maintain a comprehensive succession plan for appointments to the Board, ensuring there is an appropriate balance of skills and experience that continues to align with the Company's strategic aims. Details of the competencies of the Board are noted in the Corporate Governance Statement on page 64. External commitments of the Board are also regularly reviewed and the committee are of the opinion that the Board members are able to allocate sufficient time to the Company to undertake their roles and effectively discharge their responsibilities, despite some members having executive and non-executive roles in other companies.

The Company's talent management strategy, for both Executive Board and other senior management positions, focuses on growing talent through a number of measures including: active succession planning and mentoring; programmes designed to aid leadership and management development; and annual objective and development plan setting. We were very pleased to welcome Geoff Probert (as Chief Operating Officer) and Eddie Ok (initially as a financial consultant, and with effect from 6 April, as Chief Financial Officer) in early 2024, further building deep industry experience and strong relationships in Egypt into the executive leadership team.

The Company's succession planning also includes contingency plans for the sudden or unexpected departure of an Executive Director and other senior roles, which are reviewed by the Board.

In alignment with the change in strategy and corresponding divestment of some of the Group's assets, the Company undertook a business-wide reorganisation including compulsory redundancy programmes for UK and Egyptian employees to ensure that the organisation was appropriately set up to support the resized asset base and to ensure successful implementation of the Company's strategy. Progress of the reorganisation was regularly shared with the Board. It was important to ensure that succession planning remained fit for purpose following the departure of those employees and this was a vital piece of work as the Company reduced its headcount.

The Board has a good understanding of the Company's talent management and succession planning, receiving regular updates from the Head of HR, as well as knowledge of the range of measures being used to continue to develop and recruit talented senior employees.

Diversity

The Nomination & Governance Committee recognises the value of building a diverse Board, not just in terms of gender and social and ethnic background, but also to promote diversity of cognitive and personal strengths. Women currently represent 28.6% of the Board membership (being two women out of seven members). The Board acknowledges that the Company does not currently meet the requirements of the UK listing rules with regard to women on the Board or in senior Board positions, and recognises that, to gain the benefits of a diverse membership, further female representation is required.

The Board is also mindful of the significant, company-wide changes which were necessary and delivered at Capricorn during the year. These included the appointment by shareholders of a completely new Board, the appointment of a new CEO and an 80% reduction in workforce and overheads, as well as more recently the appointment of a new CFO and COO, while delivering substantial cash returns to shareholders and plotting a clear new strategy for the future of the Company. The new Board considers it has come together well in a matter of months and is working effectively to face numerous strategic, operational and geopolitical challenges, and will be working closely with the new executive team in the year ahead.

Following careful discussion and consideration, the Board considers that, given the enormity of change which has occurred over the last 12 months and the issues and challenges to be faced in the year ahead, while the new Board composition remains below regulatory requirements from a gender diversity perspective, further Board changes in the immediate future solely for the purpose of addressing those requirements would not be in shareholders' interests. The Board will however use the year ahead to consider carefully how the diversity requirements should best be achieved. This will be fully addressed in next year's annual report.

The Board also acknowledges that it does not have a specific diversity policy that is applied to it and the Committees (beyond the Company-wide diversity and inclusivity strategy discussed on page 33). This will be a key item for consideration during Nomination & Governance Committee meetings in 2024.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO ³ , SID and Chair)	Number in executive management	Percentage of executive management
Men	5	71.4%	3	3	100%
Women	2	28.6%	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Notes:

- 1 Eddie Ok will take up the role of Chief Financial Officer with effect from 6 April 2024. This table reflects the position following his appointment.
- 2 Data for this table was collected through a standardised process of self-declaration.
- 3 The CFO will not be a Director therefore he has been excluded from this analysis.

The Directors' range of knowledge and practice covers not only a wealth of experience of operating in the oil and gas industry but also extensive technical, operational, financial, governance and commercial expertise. Since 1 February 2023, the Board continues to be diverse in terms of the range of nationalities, culture and international experience of its members and meets the ambitions of the Parker Review. The committee will continue to monitor and consider diversity for all future Board appointments, whilst also continuing to recruit on merit.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO ³ , SID and Chair)	Number in executive management	Percentage of executive management
White British or other white (including minority white groups)	6	85.7%	3	2	66.7%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	14.3%	–	1	33.3%
Not specified/prefer not to say	–	–	–	–	–

Notes:

- 1 Eddie Ok will take up the role of Chief Financial Officer with effect from 6 April 2024. This table reflects the position following his appointment.
- 2 Data for this table was collected through a standardised process of self-declaration.
- 3 The CFO will not be a Director therefore he has been excluded from this analysis.

At levels below the Board, we continue to think more broadly than gender diversity in all areas of our work, taking into account diversity in many dimensions. Our diversity and inclusion strategy aims to nurture an inclusive and sustainable culture, where differences are encouraged, embraced and recognised as key drivers of value to all our stakeholders. A diverse and inclusive culture, where everyone can uniquely contribute and thrive, and which values and encourages individual differences is nurtured throughout Capricorn. The Board is committed to ensuring such a culture is embedded in the organisation. Looking at our broader talent pool, the gender diversity of our employee population is 48.9% female and 51.1% male. The Board and the committee will continue to monitor and consider diversity for all future Board and senior management appointments, whilst also continuing to recruit on merit. Diversity and inclusion will remain an important focus of the Company going forward.

As noted in the strategic review section of this report (pages 32 to 35), the Company has developed our strategic framework, which is designed to cultivate D&I across the business and developed methods to embed it within the way we do work.

As the Company no longer falls within the FTSE 350, it was not asked to participate in the annual submission of gender performance data as part of the FTSE Women Leaders Review (formerly the Davies Review and the Hampton-Alexander Review). Notwithstanding this, the Board and Nomination & Governance Committee, alongside the Capricorn organisation, will continue to promote diversity in its widest possible sense. Our strategies, policies and practices encourage this and seek to ensure the potential of our team can be met, driving the success of the individuals within it and the business as a whole.

Board and committee performance evaluation

The Board is committed to annual evaluations of its performance in order to assess and improve its effectiveness on an ongoing basis, with the individual Directors also evaluated to determine whether each Director continues to contribute effectively. Regarding externally facilitated Board evaluations and in line with the UK Corporate Governance Code requirements, externally facilitated Board performance evaluations were conducted in 2021, 2018, 2015 and 2012, with internally run evaluations conducted in the intervening years). For the 2023 Board performance evaluation, the process was undertaken internally.

The Board retains overall responsibility for implementation of its annual performance evaluation and the process of the 2023 internally conducted evaluation are described in the Corporate Governance Statement on page 65. The evaluation included a review of all Board committees and it was concluded that the relationship between the Board and its committees was functioning well, with all committees fully meeting their remit. The Nomination & Governance Committee works together with the Board in seeking to address any performance evaluation outcomes relating to Board composition and succession planning.

Craig van der Laan

Nomination & Governance Committee Chair

28 March 2024

DIRECTORS' REMUNERATION REPORT

Maria Gordon Chair Directors' Remuneration Committee



Members and meetings in 2023

	Member since	Resigned	Meetings attended/ meetings held in 2023 during membership
Committee member			
Maria Gordon (Chair)	February 2023	–	8/8
Tom Pitts	February 2023	–	8/8
Richard Herbert	June 2023	–	3/3
Previous Directors			
Alison Wood (previous Chair)	January 2021	January 2023	2/2
Erik B. Daugbjerg	January 2021	June 2023	6/7
Nicoletta Giadrossi	January 2017	January 2023	2/2
Peter Kallos	September 2015	January 2023	2/2

Part 1 – Annual Statement from the Chair of the committee

Dear Shareholder

As the Chair of Capricorn's Remuneration Committee, I am pleased to present our Directors' Remuneration Report for 2023.

At last year's AGM, shareholders were asked to vote separately on our Annual Report on Remuneration for the year to 31 December 2022 and a new Directors' Remuneration Policy to be applied in 2023 and beyond. We were pleased to see strong support for both resolutions, with 99.35% and 99.33% in favour for the resolutions respectively.

Part 2 of this report, which contains our Annual Report on Remuneration, explains how the overall executive remuneration framework that was approved at the meeting on 26 June 2023 was subsequently applied throughout the remaining part of the year. It also sets out how the same policy will be operated in 2024. The Annual Report on Remuneration will be subject to an advisory vote at the AGM to be held on 23 May 2024. Although shareholders are not being asked to approve a new Directors' Remuneration Policy at the 2024 AGM, the substantive provisions of the policy adopted at last year's AGM are repeated in Part 3 of this report for ease of reference.

Summary of 2023 business context and key remuneration decisions

The strategic review, introduced by the new Board in February 2023, has formed a clear roadmap to drive change; return excess capital to shareholders; right size the organisation; and maximise the potential of Capricorn's Egyptian assets. This year, progress has already been achieved. The majority of our positions outside of Egypt were exited; and a culture change focused on shareholder value and capital discipline has been instilled into the organisation. Capricorn is now at an exciting juncture in the Company's development, with a new Board that is fully aligned with shareholders, a clear operational strategy, and a culture of capital discipline and cost control. Having successfully reset the business, we are now fully focused on delivering value growth and reliable free cash flow generation from our asset base.

Implementation for 2023

Appointment of Randy Neely

Randy Neely was appointed the new CEO of the Company on 1 June 2023, bringing with him extensive experience of running a low-cost, effective business in Egypt and creating value in country. His annual salary was positioned at £500,000, which is ~20% lower than the previous incumbent. The annual bonus maximum was also set at 125% of salary limit under our policy. For any annual bonus payment, 25% of the amount will be awarded in shares under the Company's Deferred Bonus Plan that will vest at the end of a further period of three years. Further details of Randy's incentive arrangements are set out below.

2023 incentives

In light of the ongoing strategic review, no material changes were proposed to our Directors' Remuneration Policy at our 2023 AGM and only a small number of minor changes were adopted in order to reflect evolving market and best practice. At the time, we committed to undertaking a more holistic review of our approach to executive remuneration during the remainder of 2023 in order to ensure the remuneration framework aligns with our strategy going forward.

The review focused on our approach to long-term share awards for our executive. Several major shareholders suggested that a more bespoke long-term incentive design may be required and the committee could see the merits of this approach. However, it was clear that there were differing views across our shareholder register, and on balance the committee concluded that the Company should retain its market-standard annual bonus and long-term incentive model. Following engagement with our major shareholders, the committee determined that the 2023 long-term share awards should be granted under our current policy approved at the 2023 AGM, with features consistent with mainstream FTSE and market practice.

Consistent with my previous communication with major shareholders in May 2023, the 2023 LTIP award to Randy Neely was granted at 200% of salary, lower than the policy maximum of 250% of salary. Based on the feedback from our constructive meetings with major shareholders and in light of portfolio optimisation, the committee concluded that the link with absolute shareholder returns was most appropriate. Although the committee recognises that relative TSR is a more common measure in the market, this was not considered to be an appropriate measure of success at the present time, given the unique circumstances faced by the business and the Company-specific factors that are vital to unlocking value for our shareholders over the medium term. The committee concluded that this approach provided a simple and pragmatic basis on which to structure 2023 awards, while providing clear alignment to incentivise executives towards creating value for our shareholders. Randy was awarded a 2023 LTIP in July 2023 and the shareholder return targets for this award are detailed in Part 2 of this report.

As set out above, Randy was eligible for an annual bonus of up to 125% of salary for 2023 pro-rated for his time in employment in the financial year with tailored objectives directly linked to the strategic review and the unique circumstances faced by the business. The committee undertook a review of the outcome in the context of the Company's overall financial and operational performance during the year and the strong progress made by Randy, and determined that the outcome would be 71% of maximum. Taking into account his time in employment in the financial year, this equated to an overall annual bonus outcome of 52% of his annual base salary (89% of pro-rated salary).

[Further details of incentive outcomes are set out in Part 2 of this Report.](#)

Executive Board changes

Simon Thomson and James Smith

Simon Thomson and James Smith stepped down from their positions as Chief Executive Officer and Chief Financial Officer on 24 January 2023 and 1 February 2023, respectively. As disclosed in last year's report, the exit arrangements for Simon Thomson and James Smith were largely limited to contractual terms. Although the current policy provides scope to enable partial vesting of unvested LTIP awards subject to time pro-rating and performance, the committee determined that all unvested LTIP share awards subject to performance should lapse in full. Neither individual was entitled to receive a bonus in respect of the 2023 financial year.

Chris Cox

Chris Cox was appointed Interim Chief Executive Officer on 1 February 2023 on a short-term contract. Further to the announcement by the Company on 27 April 2023, Chris Cox stepped down from the role of Interim Chief Executive Officer, and from his position as an Executive Director on the Board, on 1 June 2023. Thereafter, he was placed on garden leave until 30 June 2023 at which time the Company exercised its right to end Chris's employment and make a payment in lieu of notice (PILON) in respect of his one-month notice period.

A tailored incentive arrangement was implemented for Chris given the unique circumstances. Chris was eligible to receive a bonus of up to 100% of salary in respect of the Company's 2023 financial year and linked to specific short-term objectives. On completion of the relevant deliberations, a bonus of 80% of maximum was awarded to Chris in respect of 2023 and delivered in Capricorn shares. Taking into account his time in employment in the financial year, this equated to an overall bonus outcome of 32.9% of annual base salary. Chris did not participate in any of the Company's long-term incentive plans. Other than the amounts disclosed above, Chris will not be eligible for any further remuneration payments or payments for loss of office.

Consideration of remuneration arrangements for the wider workforce during 2023

In accordance with best practice, the committee regularly takes into account remuneration practices in the wider organisation when determining senior executive pay arrangements. During the year, members of staff were also given the opportunity to raise issues on a variety of matters, including executive pay, via a number of mechanisms. These included the Company's EVF, which enables two-way communication between employees and the Board; from his appointment in February, this was chaired by Richard Herbert. Decisions have been made in the context of the requirements of the 2018 UK Corporate Governance Code and, in particular, after considering the various factors set out in its Provision 40, being clarity, simplicity, risk, predictability, proportionality and alignment to culture. The committee is satisfied that, during 2023, the approved remuneration policy operated as intended and delivered outcomes that fairly reflected business achievements over the year.

Implementation for 2024

An overview of the way in which the current remuneration policy will be applied in 2024 is set out on page 98 in the Annual Report on Remuneration. In summary:

- following a review by the committee, it was concluded that, notwithstanding the award of a 5% standard annual salary increase to the wider employee population for 2024, no such increase should be applied to the base salary of Randy Neely, with the result that it will be retained at the £500,000 level paid in 2023;
- the overall structure of the Chief Executive Officer's bonus scheme for 2024 will be similar to the one operated in 2023, being an opportunity to receive a bonus of up to 125% of base salary depending on the extent to which specified measures relating to the Company's strategic priorities for the period are satisfied; and
- given the extensive consultation that took place on the Company's long-term incentivisation arrangements over the last 12 months, and to ensure a consistency of approach, the LTIP will be operated in 2024 in broadly the same manner as in 2023, with an award of 200% of salary being made to Randy Neely, the vesting of which will be conditional on the satisfaction of recalibrated shareholder return targets.

Feedback on Directors' Remuneration Report

This has been a period of major change for the business and as your Remuneration Committee Chair I am committed to an approach to pay which is aligned with our strategy and which is in the best interests of the business and our stakeholders. In developing our approach to executive remuneration this year, we consulted extensively with our major shareholders. Overall, there was a supportive response, along with valuable feedback which was relayed to the Remuneration Committee and directly impacted our final proposals. I am keen to maintain this dialogue with our investors so that the different perspectives on pay are taken into account by the committee when making key decisions.

We welcome questions and feedback from all those interested on both the content and style of this report. We also look forward to receiving your support for the Directors' Remuneration Report at the AGM to be held in May 2024.

Maria Gordon

Remuneration Committee Chair

28 March 2024

DIRECTORS' REMUNERATION REPORT CONTINUED

Part 2 – Annual Report on Remuneration

Introduction

This Annual Report on Remuneration provides details of the way in which the committee operated during the financial year to 31 December 2023 and explains how Capricorn's approved Directors' Remuneration Policy that is described on pages 99 to 107 was implemented during that period. It also summarises how that policy will be applied in 2024.

In accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "Regulations"), this part of the report will be subject to an advisory vote at the 2024 AGM.

The Company's auditor is required to report to Capricorn's shareholders on the 'auditable parts' of this Annual Report on Remuneration (which have been highlighted as such below) and to state whether, in their opinion, those parts have been properly prepared in accordance with the Regulations and the Companies Act 2006.

On the basis that Capricorn has fewer than 250 UK employees, the Company is not required to:

- publish or report its gender pay gap information; or
- provide pay ratio information in relation to the total remuneration of the Chief Executive.

Operation of the Remuneration Committee during 2023

Members of the Remuneration Committee

The members of the Remuneration Committee as at 31 December 2023 were as follows:

- Maria Gordon (joined the committee and became its Chair on 1 February 2023);
- Tom Pitts (joined the committee on 1 February 2023); and
- Richard Herbert (joined the committee on 26 June 2023).

The following individuals also served on the Remuneration Committee during 2023:

- Erik B. Daugbjerg (ceased to be a member of the committee on 26 June 2023);
- Alison Wood (ceased to be Chair and a member of the committee on 24 January 2023);
- Nicoletta Giadrossi (ceased to be a member of the committee on 24 January 2023); and
- Peter Kallos (ceased to be a member of the committee on 24 January 2023).

The individuals who served on the committee during 2023, each of whom was an Independent Non-Executive Director of the Company throughout the period, had no personal financial interest (other than as shareholders) in the matters decided, no potential conflicts of interest from cross-directorships and no day-to-day involvement in running the business. Details of attendance at the committee's meetings during 2023 are shown on page 80. Prior to her appointment as Chair in February 2023, Maria Gordon had served on the remuneration committee of another public company for more than 12 months.

Biographical information on the individuals who are currently committee members is shown on pages 56 and 57.

Internal assistance provided to the committee

The Company's Chief Executive is not a member of the Remuneration Committee but may attend its meetings by invitation and is consulted in respect of certain of its proposals. The Chief Executive is not involved in any discussions in respect of their own remuneration. During the year, the committee also received assistance and advice on remuneration policy from the Legal Director.

External assistance provided to the committee

As and when the Remuneration Committee considers it appropriate, it takes external advice on remuneration from a number of sources. During the year, it received the following assistance:

Adviser	Assistance provided to the committee during 2023	Fees for committee assistance in 2023 ¹	Other services provided to the Company during 2023
Mercer LLC ²	Appointed by the committee to give periodic advice during the period to 1 March 2023 on various aspects of the Directors' remuneration packages.	£26,275	Provided advice on various aspects of remuneration practice across the Group in the period to 1 March 2023.
Deloitte LLP ²	Appointed by the committee to give periodic advice during the period from 2 March 2023 on various aspects of the Directors' remuneration packages. Also assisted with the preparation of the 2022 and 2023 Directors' Remuneration Reports and provided support on a number of miscellaneous remuneration-related projects.	£116,600	Provided advice on various aspects of remuneration practice across the Group in the period from 2 March 2023.
Shepherd and Wedderburn LLP	Appointed by the Company to carry out regular calculations in relation to the LTIP performance conditions. Also assisted with the preparation of the 2022 and 2023 Directors' Remuneration Reports.	£28,030	General legal services to the Group throughout the year.

Notes:

- (1) The bases for charging the fees set out in the table were agreed by the committee at or around the time the particular services were provided and, in general, reflected the time spent by the adviser in question on the relevant matter.
- (2) Both Mercer LLC and Deloitte LLP are (or were when providing advice to the committee) members of the Remuneration Consultants Group and their work is governed by the Code of Conduct in relation to executive remuneration consulting in the UK.
- (3) The committee reviews the performance and independence of all its advisers on a continuous basis. No issues relating to performance or independence were noted by the committee during the year.

Statement of shareholder voting at general meetings

The table below shows the voting outcome at the last general meeting(s) at which shareholders were asked by the Company to approve a resolution relating to its Directors' Remuneration Report and Directors' Remuneration Policy:

Description of resolution	Date of general meeting	Number of votes 'For' and 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld' ¹
To approve the 2022 Directors' Remuneration Report	26 June 2023	102,612,230	99.35%	670,014	0.65%	103,282,244	24,894
To approve the 2023 Directors' Remuneration Policy	26 June 2023	102,605,294	99.33%	689,037	0.67%	103,294,331	8,819

Note:

(1) A vote withheld is not a vote in law.

The committee welcomed the endorsement of both the above resolutions that was shown by the vast majority of shareholders at the relevant meetings and gave due consideration to any concerns raised by investors who did not support the resolutions.

Single total figure table for 2023 (audited) Executive Directors during 2023

Financial year	Fixed remuneration				Variable remuneration				Totals			
	Salary and fees	Benefits ¹	Pension ²	SIP ³	Annual bonus ⁴ ...			Long-term incentives ⁵	Total remuneration	Total fixed remuneration	Total variable remuneration	
					...paid in cash	...deferred into shares	...total bonus					
Executive Director												
Randy Neely ⁶	2023	£291,667	£15,764	£36,458	£3,599	£195,116	£65,038	£260,154	£0	£ 607,642	£347,488	£ 260,154
	2022	-	-	-	-	-	-	-	-	-	-	-
Former Directors												
Chris Cox ⁷	2023	£185,449	£3,655	£23,181	£0	£180,822	£0	£180,822	£0	£393,107	£212,285	£180,822
	2022	-	-	-	-	-	-	-	-	-	-	-
Simon Thomson ⁸	2023	£41,500	£2,468	£5,187	£0	£0	£0	£0	£0	£49,155	£49,155	£0
	2022	£610,293	£45,233	£91,544	£7,199	£171,645	£0	£171,645	£982,859	£1,908,773	£754,269	£1,154,504
James Smith ⁹	2023	£35,989	£3,473	£4,499	£0	£0	£0	£0	£0	£43,961	£43,961	£0
	2022	£396,938	£39,652	£59,541	£7,199	£111,639	£0	£111,639	£639,255	£1,254,224	£503,330	£750,894

Notes:

- The standard taxable benefits available to the Executive Directors throughout 2023 were permanent health insurance, death-in-service benefit and a gym and fitness allowance. During the year, Randy Neely was also reimbursed for fees totalling £12,775 that were incurred by him in connection with the receipt of immigration services. This non-recurring amount is included in the "benefits" column of the above table. The previous car allowance for Executive Directors (which was made available throughout 2022) was removed at the time of approval of the latest Directors' Remuneration Policy at the 2023 AGM.
- Additional disclosures relating to the pension provision for the Executive Directors during 2023 are set out on page 85.
- This column shows the face value (at date of award) of matching and free shares provided to Executive Directors under the SIP during the relevant period. Further details on the way in which the SIP was operated during 2023 are set out on page 93.
- Under the Company's 2023 annual bonus scheme for Executive Directors (other than Chris Cox), 75% of any amount awarded to an individual is paid out in cash with the balance being delivered in the form of a deferred share award, which normally vests after a period of three years from grant. In his capacity as Interim Chief Executive Officer, Chris Cox was subject to a different annual bonus structure with the whole of his entitlement being satisfied by the delivery of unrestricted shares. Further information in relation to the annual bonus schemes for 2023 is provided on pages 90.
- This column shows the value of shares that vested in respect of LTIP awards with performance conditions that ended during the period in question. Further details of the LTIP's operation during 2023 are provided on pages 90 to 92; confirmation of the amount of the 2022 vesting values that were attributable to share price appreciation was included in last year's Directors' Remuneration Report.
- Randy Neely became an employee of the Company on 1 July 2023 and was appointed as Chief Executive Officer on that same date.
- Chris Cox fulfilled the role of Interim Chief Executive from 1 February 2023 to 1 June 2023 and thereafter ceased employment with the Company on 30 June 2023. Details of his remuneration for the period following 1 June 2023 are disclosed on pages 94 and 95.
- Simon Thomson stepped down from the Board on 24 January 2023 and ceased employment with Capricorn on 21 April 2023. Details of his remuneration for the period following 24 January 2023 are disclosed on page 95.
- James Smith stepped down from the Board on 1 February 2023 and ceased employment with Capricorn on 14 April 2023. Details of his remuneration for the period following 1 February 2023 are disclosed on page 95.
- Following the end of the year to 31 December 2023, the committee considered whether there were any circumstances that could or should result in the recovery or withholding of any sums pursuant to the clawback arrangements contained within the Company's remuneration policy. The conclusion reached by the committee was that it was not aware of any such circumstances.

DIRECTORS' REMUNERATION REPORT CONTINUED

Non-Executive Directors

	Financial year	Fixed remuneration ¹		Totals
		Salary and fees	Benefits	Total remuneration
Directors				
Craig van der Laan ²	2023	£247,500	£1,500⁴	£249,000
	2022	–	–	–
Maria Gordon ²	2023	£110,000	–	£110,000
	2022	–	–	–
Richard Herbert ²	2023	£103,430	–	£103,430
	2022	–	–	–
Hesham Mekawi ²	2023	£129,231	–	£129,231
	2022	–	–	–
Tom Pitts ²	2023	£105,417	–	£105,417
	2022	–	–	–
Patrice Merrin ²	2023	£49,327	–	£49,327
	2022	–	–	–
Former Directors				
Nicoletta Giadrossi ³	2023	£12,122	–	£12,122
	2022	£185,400	–	£185,400
Keith Lough ³	2023	£7,314	–	£7,314
	2022	£87,765	–	£87,765
Peter Kallos ³	2023	£5,085	–	£5,085
	2022	£77,765	–	£77,765
Alison Wood ³	2023	£5,738	–	£5,738
	2022	£87,765	–	£87,765
Catherine Krajccek ³	2023	£46,758	–	£46,758
	2022	£77,765	–	£77,765
Erik B. Daugbjerg ³	2023	£44,683	–	£44,683
	2022	£77,765	–	£77,765
Luis Araujo ³	2023	£5,085	–	£5,085
	2022	£49,432	–	£49,432

Notes:

- (1) Non-Executive Directors do not receive any pension, annual bonus or long-term incentives from the Company.
- (2) Each of Craig van der Laan, Maria Gordon, Richard Herbert, Hesham Mekawi and Tom Pitts were appointed as Directors on 1 February 2023, with Patrice Merrin being appointed on 26 June 2023. Their fees for 2023 reflect the period from the date of appointment to the year-end.
- (3) Each of Nicoletta Giadrossi, Peter Kallos, Alison Wood and Luis Araujo stepped down from the Board on 24 January 2023, with Keith Lough stepping down on 1 February 2023. Subsequently, both Catherine Krajccek and Erik B. Daugbjerg retired as Non-Executive Directors on 26 June 2023. In all cases, their fees for 2023 reflect the period from the start of the year to the date of departure.
- (4) Reimbursement cost of preparation and lodgement of UK tax return.

Executive Directors' base salaries during 2023

Former Directors

Based on a review carried out in November 2022 by the previously constituted Board, the following salary increases for the Executive Directors in-post on 1 January 2023 became effective on that date:

	Job title	Annual salary as at 31 December 2022	Annual salary as at 1 January 2023	% increase with effect from 1 January 2023
Former Directors				
Simon Thomson	Chief Executive	£610,293	£634,705	4.0%
James Smith	CFO	£396,938	£412,816	4.0%

The increases shown in the above table for both Simon Thomson and James Smith were lower than the level of standard annual salary increase awarded to other employees on 1 January 2023.

Chris Cox's annual salary throughout his period in office as Interim Chief Executive was £550,000.

Current Director

On his appointment as Chief Executive Officer on 1 June 2023, Randy Neely's annual salary was set at £500,000.

Executive Directors' pension provision during 2023 (audited)

In accordance with the terms of the Directors' Remuneration Policy, the Company operates a defined contribution, non-contributory Group personal pension plan which is open to all UK permanent employees. During 2023, the Company contributed 12.5% of basic annual salary on behalf of all qualifying employees, including Executive Directors.

The Company also has a pension committee which meets on a regular basis to assess the performance and suitability of the Company's pension arrangements.

Throughout 2023, each individual who was an Executive Director received Company contributions up to their statutory annual allowance. The balance of their 12.5% of basic salary entitlement for the year ended 31 December 2023 was paid in cash.

Details of the actual amounts of pension contributions/additional cash that were paid to the Executive Directors during 2023 are set out in the 'pension' column of the single total figure table on page 83.

Annual bonus – 2023 structure (audited)

During 2023, Capricorn operated an annual bonus scheme for all employees and Executive Directors. The maximum level of bonus award for the current Chief Executive Officer was 125% of salary.

For all participants other than the current and interim Chief Executive Officers, 2023 bonus awards were based on achievement against a mixture of personal objectives and Group-wide KPIs. When determining the level of award attributable to the personal performance element of these individuals' bonuses, consideration was also given to the extent to which they demonstrated the Company's 'high performance behaviours' during the period and also the level of their understanding, application and compliance with the Company's various standards and policies. The final level of all bonuses awarded to employees below Executive Director/PDMR level was reviewed and approved by the committee.

Consistent with the approach adopted in 2022, 100% of the current Chief Executive's bonus opportunity for the year to 31 December 2023 was determined by reference to the extent to which certain Group KPIs were achieved. A summary of the relevant targets, ascribed weightings, payment scales and achievement levels is set out in the following 4 pages.

DIRECTORS' REMUNERATION REPORT CONTINUED

KPI measures and performance achieved in 2023

2023 KPIs	Measurement and payment scale
HSSE	
<p>HSSE lagging indicators Lost time injury frequency (LTIF), Total recordable incident rate (TRIR), spills to the environment as reported for operated activity and measured against IOGP benchmarks.</p>	<ul style="list-style-type: none"> – Perform better than IOGP HSSE benchmarks
<p>HSSE leading indicators Safety leadership visits.</p>	<ul style="list-style-type: none"> – 0%: One safety visit – 50%: Three safety visits – 100%: Five safety visits
ESG	
<p>Environmental Demonstrate equity Scope 1 and Scope 2 GHG emissions reductions versus relevant baselines, incorporating where appropriate certified offsets.</p>	<ul style="list-style-type: none"> – 0%: No improvement – 50%: 5% reduction – 100%: 10% reduction
<p>Reporting requirements Maintain CDP rating and meeting TCFD, SASB, ISSB and GRI reporting requirements</p>	
<p>Governance Establish company strategy of optimising executive structure, improving strategic decision-making and enhancing relationship between all groups of stakeholders.</p>	
Production	
<p>2P reserves maturation Through incremental development investment deliver an effective Reserves Conversion Ratio (RCR) in relation to annual WI production.</p>	<ul style="list-style-type: none"> – 0%: RCR=25% – 50%: RCR>=50% – 100%: RCR>=75%
<p>Complete development of life of field plans for key concessions that would serve as a foundation for negotiation of the change in fiscal terms with EGPC and the Ministry of Petroleum.</p>	<ul style="list-style-type: none"> – Measured against progress with field development plans
<p>Delivering production and operational performance Deliver net WI production in line with public market guidance.</p>	<ul style="list-style-type: none"> – 0%: Low end of guidance – 50%: Middle of guidance – 100%: At or above top end of guidance
<p>Deliver operating cost targets in line with public market guidance.</p>	<ul style="list-style-type: none"> – 0%: High end of guidance – 50%: Middle of guidance – 100%: At or below bottom end of guidance

	Weighting (as % of allocated proportion of maximum opportunity)	Achievement against target weighting	KPI remuneration committee decision
2023 performance			
– Operated activities, including well drilling, resulted in zero reportable regulatory spills to the environment and, for TRIR and LTIF, as reported in IOGP statistics, scores which were better than the lowest number of all activity averages.	3.5%	3.5%	Fully achieved
– Five safety leadership trips have been completed by senior management to the Western Desert assets. The Egypt HSSE Manager also spent three weeks on-site with Cheiron and Bapetco in November and December as part of an audit. The security situation in the Western Desert deteriorated in October 2023 so further trips, including that of the CEO, were postponed.	3.5%	3.5%	Fully achieved
– Capricorn's equity Scope 1 and Scope 2 net-zero commitment is monitored against our 2022 emission baseline, which was reported last year as 269,635 tCO ₂ e. This baseline includes both our Scope 1 and Scope 2 operated data, which has received limited assurance from Deloitte LLP, and Scope 1 non-operated data, which is provided to us by Bapetco. Capricorn's non-operated Scope 1 forms the majority of our overall emissions footprint and emissions have been consistently lower within 2023 than our 2022 baseline. This lower emission trend resulted in a year-on-year reduced non-operated and operated Scope 1 and Scope 2 emissions for 2023 in comparison to our 2022 baseline. Total Scope 1 and Scope 2 emissions for 2023 were 226,900 tCO ₂ e.	4%	4%	Fully achieved
– For 2023, we met our ESG reporting requirements by disclosing our TCFD in both our Annual Report and Sustainability Report. Capricorn disclosed sustainability metrics in reference to the GRI standard and aligned to the SASB framework; both indexes are currently published on the Capricorn website. SASB is governed by ISSB; therefore, by reporting to SASB, Capricorn is also aligning its ESG reporting to ISSB. Capricorn reported both climate and water CDP submissions within 2023. The climate change score was upgraded from B to A- and the water score was downgraded from B- to C.	2%	2%	Fully achieved
– A new Board and CEO were appointed in February and June respectively. Randy's appointment has allowed Capricorn to draw on his extensive experience in running a low-cost, effective business in Egypt. The senior management tier has also been streamlined and the introduction of weekly leadership team meetings has enhanced decision-making throughout the business. Significant progress has also been made in building a more constructive partnership between Capricorn and its JV partner Cheiron, and also with EGPC and the Ministry of Petroleum.	2%	2%	Fully achieved
– During 2023, 5.9 mmmboe was matured into 2P reserves on a WI basis to partially offset the reduction from the year's production (~11.2 mmmboe WI). 1.4 mmmboe of the increase came from drilling near-field exploration (NFE) wells, primarily from the Karam C76, BED 15 C3-1 and BED 16 C6-1 wells. In addition, 4.4 mmmboe of developed 2P WI reserves were added through drilling 29 development wells. However, in light of the reserves downgrades during the year and at year-end, the committee exercised its discretion and awarded zero marks.	5%	0%	Not achieved
– To support the November budget process a No Further Activity (NFA) forecast and a new well forecast for 2024-2026 was completed. Prioritised field development plans for fields with greatest Capex deployment in 2023-2024. BED 15 and BED 16 static and dynamic modelling completed, Karam ARG kicked off, and agreement with Cheiron to outsource Obaiyed field study in 1H 2024.	5%	4%	Partially achieved
– 2023 WI production on a produced basis averaged 30,044 boepd for the year. This was below the low end of the original FY23 32-36,000 boepd guidance, largely impacted by the timing of the delivery of key projects at Teen and in the BED area, along with lower than expected contributions from new wells.	15%	0%	Not achieved
– Capricorn achieved an operating cost of \$5.4boe, which was at the low end of our \$5-\$7 guidance.	5%	5%	Fully achieved

DIRECTORS' REMUNERATION REPORT CONTINUED

KPI measures and performance achieved in 2023 continued

2023 KPI	Measurement and payment scale
Production continued	
Deliver improved performance of the JV with better forward planning by enhancing stakeholder relationship management with Chevron and Bapetco.	– Measured against progress with key stakeholder relationships
Financial performance	
Articulate and execute coherent capital return strategy while maintaining sufficient liquidity to ensure going concern.	– Measured against progress of volume of capital returns to shareholders
Execution of reorganisation and rightsizing of Capricorn Energy.	– 0%: High end of guidance – 50%: Middle of guidance – 100%: At or below bottom end of guidance
Successful withdrawal from exploration commitments ex-Egypt while minimising residual liabilities.	– Measured against progress against licence withdrawals in Mexico, Mauritania, Suriname and the UK
Execute release of existing Mexico bank guarantees/letters of credit, full recovery of VAT receipts, applicable under the concession, and prepare for the country exit.	– Measured against progress against Mexico withdrawal
Exploration	
Operations Conduct our Egypt exploration and appraisal activities (surveys and drilling) successfully, on time and on budget.	– 0%: Operations meet objectives 50%: Operations on budget (+/-10%) 100%: Operations on time and 10% less than budget
Adding new resources Add new potentially commercial WI resources in Egypt through E&A drilling.	– 0%: >=P75 level (1 mmbo) – 50%: >=P50 level (2.8 mmbo) – 100%: >=P25 level (7.5 mmbo)

	Weighting (as % of allocated proportion of maximum opportunity)	Achievement against target weighting	KPI remuneration committee decision
2023 performance			
– Capricorn has improved the pipeline of new wells by building a new well inventory across BED where the bulk of activity has been focused. This has delivered a prioritised drilling order. In Obaiyed, Capricorn proposed to significantly reduce Capex and drilling on this asset due to subsurface risk and the need for further study work. Relationships and communication channels have improved significantly on the technical side, which has resulted in better collaboration within the JV, and will be crucial as operations are progressed.	10%	6%	Partially achieved
– Capricorn paid shareholders a ~\$450m special dividend in May 2023. At the half-year, refinements were made to the going concern review which allowed us to demonstrate that the Group had sufficient cash headroom to continue to operate as a going concern while executing the return of an additional ~\$100m to shareholders in October 2023, and continuing the ongoing share buyback programme.	15%	15%	Fully achieved
– Achieved a material reduction in ongoing G&A, matching costs to the scale and priorities of the business and made significant progress in exiting all non-Egypt licences to focus capital and internal resources on the Egyptian portfolio. There had been an 80% overall reduction in UK headcount by year-end. – Following completion of the organisational restructure, the G&A expenses run rate for 2024 is targeted to be less than \$20m.	15%	15%	Fully achieved
– At the beginning of the year, Capricorn was involved in a number of high-risk exploration projects, which were deemed by the new Board as non-core. Capricorn marketed the licence to farm-down its position in Suriname, but was unsuccessful in attracting interests in this block in advance of expiry in October 2023. As such, the block was relinquished in Q4. Similarly, the Group's Mauritian licence was relinquished in Q2 and the UK licences were also relinquished in Q4. The Mexico B9 operated licence was transferred on 6 October 2023.	7%	7%	Fully achieved
– The Mexico office was closed in November 2023. Two staff remain to continue work on VAT refunds and local content audits. VAT refunds plus interest of c.\$21.2m have been recovered since 2021, with c.\$3.5m outstanding. \$3.6m was recovered in 2023. All operated activities were exited in October with transfer of Block 9 to Eni. A bank guarantee was released at the same time. CNH has given notice of non-compliance with certain training obligations on Block 15, and we continue to work on a settlement of this item.	3%	3%	Fully achieved
– In 2023, Capricorn undertook a campaign of operated exploration drilling, initially targeting the SAS licence in the South of the Western Desert and then the SEH licence. All wells were delivered below AFE time and the AFE cost: Sagr-1 AFE: \$2.91mm Actual cost: \$2.82mm. Seman-1 AFE: \$1.78mm Actual cost: \$1.42mm. Sayadeya-1 AFE: \$2.37mm Actual cost: \$2.44mm.	2%	1%	Partially achieved
– All three wells drilled in 2023 were dry.	3%	0%	Not achieved
Total	100%	71%	

DIRECTORS' REMUNERATION REPORT CONTINUED

2023 annual bonus scheme – overarching review by the committee

In accordance with its normal practice, the above outturn from the assessment of the Group KPIs was subject to a further review by the committee in order to assess whether the resulting level of award that it would generate for the current Chief Executive Officer under the annual bonus scheme structure for 2023 would be fair and reasonable in the context of the Company's overall financial and operational performance during the year. The conclusion reached was that the amounts to be paid to the current Chief Executive Officer were appropriate in the circumstances and there was no requirement for the committee to make any adjustments pursuant to its overarching discretion under the annual bonus scheme, details of which are set out in the Directors' Remuneration Policy.

2023 annual bonus scheme – overview of awards and actual payments made

The application of the outturn from the above performance condition assessments resulted in an outcome of 71% of maximum for Randy Neely. This amount was then pro-rated by reference to the part of the year that he was employed by the Company, resulting in a final award of £260,154, being 52% of annual base salary.

		Randy Neely Group KPI measures
Award elements	Weighting (as % of max. bonus opportunity)	100%
	x	
	Achievement level	71%
	=	
	Award percentage (as % of max. bonus opportunity)	71%
Award calculation	Max. bonus opportunity (as % of salary)	125%
	x	
	Award percentage (as calculated above)	71%
	x	
	Time pro-rating fraction	58.5%
	=	
	Total award (as % of salary)	52%
	Total award (as an amount)	£260,154
Form of payment	Cash payment ¹	£195,116
	Deferred share award ²	£65,038

Notes:

- (1) The cash payment due under the annual bonus scheme was paid to the Chief Executive Officer shortly after completion of the assessment of the relevant performance measures and conditions.
- (2) Under the Company's annual bonus scheme for 2023, 25% of any amounts awarded are delivered in the form of share awards granted under the Company's Deferred Bonus Plan. Any such awards normally vest on the third anniversary of grant, with such vesting usually being conditional only on the continued employment of the individual with the Group. Full details of the award made to the current Chief Executive Officer in respect the annual bonus scheme for 2023 (which was granted after the year-end) will be included in next year's Annual Report on Remuneration.

2023 annual bonus scheme for Interim Chief Executive Officer

As permitted by the Directors' Remuneration Policy that was adopted at the 2023 AGM, an annual bonus structure for Chris Cox, the Interim Chief Executive Officer, was operated in 2023. The tailored objectives reflected the interim and unique nature of the role. Under this arrangement, Chris's annual maximum opportunity was capped at 100% of base salary and the short-term targets used to determine his award can be summarised as follows:

- implementing a cost reduction and 'right-sizing' plan (weighting 50%); and
- carrying out the Company's strategic review and actioning outcomes (weighting 50%).

Based on the above, the committee determined that Chris Cox should be paid a bonus of 80% of the maximum opportunity. This amount was then pro-rated by reference to the part of the year that he was employed by the Company, resulting in a final award of £180,822 (being 32.9% of his annual salary).

In accordance with the terms of the arrangement with Chris Cox, the whole of the above award was satisfied by the delivery to him of a total of 75,016 unrestricted ordinary shares in the Company on 26 July 2023, with the number of those shares being determined by dividing the amount of the above bonus by £2.4104 (being the volume-weighted average price of a Capricorn share on his 1 February 2023 commencement date).

Long-term incentives

Introduction

During the year to 31 December 2023, the current Chief Executive Officer participated in the Company's LTIP (which was approved by shareholders at the AGM held on 19 May 2017).

The LTIP enables selected senior individuals to be granted conditional awards or nil-cost options over ordinary shares, the vesting of which is normally dependent on both continued employment with the Group and the extent to which pre-determined performance conditions are met over a specified period of three years.

LTIP awards granted during 2023 (audited)

Overview of award granted

On 28 July 2023, the following award under the LTIP was granted to the current Chief Executive Officer:

Director	Form of award	Basis of award granted	Share price at date of grant ³	No. of shares over which award originally granted	Face value (£000) of shares over which award originally granted ⁴	% of shares over which award originally granted that vest at threshold	Vesting determined by performance over
Randy Neely	Nil-cost option	Two x base salary of £500,000	£1.857	538,502	£1,000	0%	Three years until 31 May 2026

Notes:

- (1) Details of the performance conditions applicable to the above award are provided in the section below.
- (2) No price is payable by participants for their shares on the exercise of a nil-cost option granted under the LTIP.
- (3) This figure represents the average of the closing mid-market prices of a share in the Company for the three dealing days immediately preceding the date of grant. (The actual closing price on 28 July 2023 was £1.786.)
- (4) The value shown in this column has been calculated by multiplying the 'number of shares over which the award was originally granted' by the 'share price at date of grant'.
- (5) In the period following the grant of the above award, no change was made to its exercise price or the date on which it will become exercisable.

Performance conditions

The committee engaged with major shareholders as we considered the design of 2023 LTIP awards. Based on the feedback from our constructive meetings with major shareholders and in light of the ongoing difficulty in setting long-term financial and operational performance conditions for the business, the committee determined that the vesting of the 2023 LTIP award would be linked to absolute shareholder returns. Although the committee recognises that relative TSR is a more common measure in the market, this was not considered to be an appropriate measure of success at the present time, given the unique circumstances faced by the business and the Company-specific factors that are vital to unlocking value for our shareholders over the medium term.

The absolute shareholder return targets applicable to the 2023 LTIP awards, and the associated vesting percentages that will be delivered for their achievement, are as follows:

Share price at the end of the three-year measurement period	Percentage of ordinary shares comprised in award that vest
Less than or equal to \$2.661	0%
\$3.817	100%
Between \$2.661 and \$3.817	0%-100% on a straight-line basis

Notwithstanding the extent to which the above targets have been satisfied, there are a number of circumstances in which the committee can adjust the level of vesting applied to the award. When determining whether to adjust the level of vesting, the committee will take into account all factors which it deems relevant at the time including, but not limited to, the underlying performance of the Company and/or the individual, the progress made against execution of the Company's strategy and the wider external environment in which the Company operates. In particular, final vesting may be scaled back by up to 40% if the committee determines that insufficient shareholder value has been generated during the first two years of the performance period.

Additional information in relation to the above targets is as follows:

- when calculating the level of achievement, share prices will normally be averaged over a 90-day period;
- the share price targets can be varied to take account of post-grant events such as share capital variations and returns of capital; and
- in accordance with the terms of the Directors' Remuneration Policy, and irrespective of the Company's share price performance over the measurement period, the committee retains the discretion (in exceptional circumstances) to adjust the vesting outcome for the award where the original result produced by the application of the performance conditions would be inappropriate or unreasonable given the circumstances that exist at that time.

Post vesting holding period

Following its vesting, the award granted to the current Chief Executive Officer in 2023 will be subject to a two-year holding period during which it cannot normally be exercised.

Dividend equivalent rights

As with awards granted under the LTIP in previous years, the 2023 grant to the current Chief Executive Officer was made on terms that he will receive a payment (in cash and/or shares) on, or shortly following, the settlement of his award of an amount equivalent to the dividends that would have been payable on the shares acquired between the date of grant and the expiry any applicable holding period. Where required, the committee will decide the basis on which the value of such dividends will be calculated, which may assume the reinvestment of dividends. The rules of the LTIP also give the committee the discretion to disapply these provisions in relation to all or part of any special dividend. This discretion was exercised by the committee in relation to the special dividends paid by the Company on 23 May 2023 and 20 October 2023 on the basis that the economic position of participants in the LTIP was effectively preserved through the operation of the share consolidation that formed part of the return of cash mechanism.

DIRECTORS' REMUNERATION REPORT CONTINUED

LTIP – awards vesting/lapsing during the year (audited)

No awards granted to Executive Directors of the Company vested during 2023.

As highlighted on pages 94 and 95 and as disclosed in last year's Directors' Remuneration Report, all unvested LTIP awards held by Simon Thomson and James Smith at the time they ceased employment immediately lapsed in full and ceased to exist. Details of these awards are as follows:

	Date of grant	Plan	Form of award	No. of shares over which award originally granted	Date on which award lapsed in full
Directors					
Simon Thomson	28/07/20	LTIP	Nil-cost option	886,847	21/04/23
	17/03/21	LTIP	Nil-cost option	822,482	21/04/23
	11/03/22	LTIP	Nil-cost option	779,627	21/04/23
James Smith	28/07/20	LTIP	Nil-cost option	576,811	14/04/23
	17/03/21	LTIP	Nil-cost option	534,947	14/04/23
	11/03/22	LTIP	Nil-cost option	507,073	14/04/23

Note:

(1) Further details relating to each of the above awards are set out in the Directors' Remuneration Report for the year in which they were granted.

LTIP – awards exercised during 2023 (audited)

Details of vested LTIP awards (which are in the form of nil-cost options) that were exercised by individuals who were Executive Directors during the year to 31 December 2021 are as follows:

	Date of grant	Plan	Date of vesting	Date of exercise ¹	Number of shares acquired on exercise	Exercise price	Market value of shares on date of exercise	Gain on exercise
Former Directors								
Simon Thomson	23/05/17	LTIP	28/05/20	27/03/23	142,041	Nil	£2.335	£331,666
	23/05/17	LTIP	28/05/20	11/05/23	34,087 ²	Nil	£2.133	£72,708
	28/03/18	LTIP	31/03/21	11/05/23	453,472 ²	Nil	£2.133	£967,256
James Smith	23/05/17	LTIP	28/05/20	16/03/23	97,880	Nil	£2.375	£232,465
	23/05/17	LTIP	28/05/20	09/05/23	16,675 ²	Nil	£2.148	£35,818
	28/03/18	LTIP	31/03/21	09/05/23	294,941 ²	Nil	£2.148	£633,533

Notes:

(1) Each of the exercises set out in this table occurred after the date on which the individual in question ceased to be an Executive Director.

(2) In accordance with the Company's post-employment shareholding requirements for Executive Directors (details of which are set out on page 93), the net-of-tax number of shares acquired by Simon Thomson and James Smith pursuant to these exercises were immediately placed in a nominee structure and must normally be retained by them until the second anniversary of their cessation of employment.

Participation of Executive Directors in all-employee share schemes during 2023

Introduction

In order to encourage increased levels of long-term share ownership amongst its general employee population, the Company launched an HM Revenue and Customs-approved SIP in April 2010. The SIP provides eligible employees, including Executive Directors, with the following benefits:

- 'Partnership shares' – employees can authorise deductions of up to £1,800 per tax year from pre-tax salary, which are then used to acquire ordinary shares on their behalf.
- 'Matching shares' – the Company can award further free shares to all participants who acquire partnership shares on the basis of up to two matching shares for every one partnership share purchased. For the tax year 2023/2024, the Company awarded two matching shares for every one partnership share purchased and intends to continue using this award ratio for the tax year 2024/2025.
- 'Free shares' – employees can be given up to £3,600 worth of ordinary shares free in each tax year. On 22 September 2023, an award of free shares was made to employees.

In certain circumstances, the rules of the SIP also allow participants to reinvest dividends paid on their plan shares in further 'dividend shares'.

As the SIP is an 'all employee' arrangement, no performance conditions are imposed in relation to any matching or free shares awarded pursuant to its terms.

Details of Executive Directors' SIP participation in 2023

Details of the shares purchased by and awarded to the Executive Directors under the SIP during the course of the year are as follows:

	Total SIP shares held at 01/01/23	Free shares awarded on 22/09/23 at a price of £1.718 per share	Total SIP shares held following share capital consolidation on 06/10/23 ¹	Dividend shares purchased on 27/10/23 at a price of £1.6495 per share ²	Total SIP shares held at 31/12/23 (or date of cessation of directorship, if earlier)
Current Director					
Randy Neely	0	2,095	1,396	711	2,107
Former Directors					
Simon Thomson ³	45,116	N/A	N/A	N/A	45,116
James Smith ³	31,864	N/A	N/A	N/A	31,864

Notes:

- (1) As a SIP participant at the time, and therefore the beneficial owner of the shares awarded to him at under the plan, Randy Neely benefitted from the October 2023 return of cash (and was subject to the associated share capital consolidation) in the same way as all other participants.
- (2) The committee decided to give participants in the SIP the ability, if they so wished, to reinvest the special dividends that were paid during 2023 in respect of their plan holding in further 'dividend shares'.
- (3) Simon Thomson and James Smith stepped down as directors of the Company on 24 January 2023 and 1 February 2023 respectively, and thereafter ceased to participate in the SIP following the subsequent cessation of their employment. On termination, a total of 3,654 free and matching shares previously held by Simon Thomson were forfeited for no consideration in accordance with the terms of the plan. In the case of James Smith, a total of 3,654 SIP shares were forfeited.

The total number of shares held (or previously held) by each of the above individuals under the SIP is included in their beneficial shareholdings disclosed in the Directors' Report on page 109.

Shareholding guidelines for Directors (audited)

A formal share ownership policy for Executive Directors has been in place for a number of years under which they are required, during employment, to build up and maintain a target holding, currently equal to 200% of salary. In order to facilitate the achievement of the requirement, the share ownership policy provides that, until the necessary holding is achieved, an Executive Director is normally obliged to retain shares with a value equal to 50% of the net-of-tax gain arising from any vesting or exercise under the Company's share incentive plans.

In addition, and with effect from 14 May 2020, being the date the 2020 Directors' Remuneration Policy was approved by shareholders, Executive Directors are normally obliged to maintain a specified holding of shares for a period of two years following cessation of employment. In particular:

- the requirement is to maintain a post-employment holding of relevant shares equal to 200% of final salary;
- if this targeted holding has not been achieved at the point employment ceases, the requirement will apply to all relevant shares held at that time;
- 'relevant shares' will include all shares acquired by the individual on the exercise of awards that vest under any of the Company's discretionary share plans, including the LTIP and the Deferred Bonus Plan, on or after 1 January 2020 (other than those that are sold in order to satisfy tax liabilities arising on exercise);
- shares subject to awards that vest on or after 1 January 2020 but which remain unexercised (e.g. because a holding or deferral period applies), or which have been granted under the Deferred Bonus Plan, will also count as 'relevant shares', but on a net-of-tax basis;
- until such time as the 200% of salary target is achieved, any relevant shares acquired by an individual will be placed in a nominee structure;
- relevant shares held by or on behalf of an individual will also count towards the satisfaction of the existing share ownership policy that is described above;
- for the avoidance of doubt, any shares acquired by an individual other than pursuant to a discretionary share plan (e.g. purchases using his/her own resources) will not be subject to the post-employment holding requirement; and
- the committee will retain the discretion to reduce or waive the post-employment holding requirement in limited circumstances (such as on the death of the individual or where his/her personal circumstances change).

DIRECTORS' REMUNERATION REPORT CONTINUED

The following table discloses the beneficial interest of each Director in the ordinary shares of the Company as at 31 December 2023 (or date of cessation of directorship, if earlier). Following appointment in June 2023, Randy Neely is building his interest towards the shareholding guideline. His interest in Company shares will be further enhanced by part deferral of the 2023 bonus and 2024 LTIP grants. Simon Thomson and James Smith complied with the shareholding guidelines prior to their cessation of directorship.

	Shares held			Awards over shares under the LTIP			Compliance with shareholding requirements	
	Ordinary shares ²	Ordinary shares held in the SIP ³	Total holding of ordinary shares	Ordinary shares subject to vested but unexercised awards ⁴	Ordinary shares subject to unvested awards ⁵	Total interest in ordinary shares	In-service requirement	Post-cessation requirement
							Value of holding as a % of salary ^{6,7}	Value of holding as a % of salary ^{6,8}
Executive Director⁹								
Randy Neely	–	2,107	2,107	0	538,502	540,609	1%	0%
Non-Executive Directors¹⁰								
Craig van der Laan	–	–	–	–	–	–	–	–
Maria Gordon	–	–	–	–	–	–	–	–
Richard Herbert	–	–	–	–	–	–	–	–
Hesham Mekawi	–	–	–	–	–	–	–	–
Tom Pitts	–	–	–	–	–	–	–	–
Patrice Merrin	–	–	–	–	–	–	–	–
Former Directors¹¹								
Simon Thomson	658,074	45,116	703,190	1,136,751	2,488,956 ¹³	4,328,897	507%	232%
James Smith	–	31,864	31,864	739,349	1,618,831 ¹³	2,390,044	250%	231%
Nicoletta Giadrossi	–	–	–	–	–	–	–	–
Peter Kallos	9,292	–	9,292	–	–	9,292	–	–
Keith Lough	–	–	–	–	–	–	–	–
Alison Wood	–	–	–	–	–	–	–	–
Catherine Krajccek	–	–	–	–	–	–	–	–
Erik B. Daugbjerg	–	–	–	–	–	–	–	–
Luis Araujo	–	–	–	–	–	–	–	–
Chris Cox	–	–	–	–	–	–	–	–

Notes:

- (1) Details of the Company's share ownership policies for Executive Directors are set out on pages 93 and 103.
- (2) Includes shares held by connected persons.
- (3) Under the rules of the SIP, certain shares awarded to participants must be retained in the plan for a specified 'holding period' of up to five years. The receipt of these shares is not subject to the satisfaction of performance conditions.
- (4) This column shows all vested but unexercised awards under the LTIP that were held by the director concerned as at 31 December 2023 (or date of cessation of directorship, if earlier).
- (5) This column shows all unvested and outstanding awards under the LTIP that were held by the director concerned as at 31 December 2023 (or date of cessation of directorship, if earlier) including those granted during the year. Details of these entitlements, the vesting of which is subject to the satisfaction of performance conditions, are set out on pages 90 to 92.
- (6) Share price used is the average share price for the period of 90 days up to and including 31 December 2023 (or, in the case of former Directors, the average share price for the period of 90 days up to and including the date of cessation of directorship).
- (7) This holding includes (i) all shares held by the individual; and (ii) the net-of-tax number of all shares subject to vested but unexercised LTIP awards.
- (8) This holding includes the net-of-tax number of all shares subject to vested but unexercised LTIP awards.
- (9) Randy Neely was appointed as an Executive Director on 1 June 2023.
- (10) Each of Craig van der Laan, Maria Gordon, Richard Herbert, Hesham Mekawi and Tom Pitts were appointed as Directors on 1 February 2023, with Patrice Merrin being appointed on 26 June 2023.
- (11) Each of Simon Thomson, Nicoletta Giadrossi, Peter Kallos, Alison Wood and Luis Araujo stepped down from the Board on 24 January 2023, with Keith Lough and James Smith both stepping down on 1 February 2023. Catherine Krajccek and Erik B. Daugbjerg retired as Non-Executive Directors on 26 June 2023. Chris Cox was appointed as a Director on 1 February 2023 and stepped down from this role on 1 June 2023.
- (12) The shareholding numbers noted in the table above were unchanged as at the earlier of the date of this report or the date of cessation of directorship of the individual listed.
- (13) All unvested LTIP awards immediately lapsed on the cessation of employment of James Smith and Simon Thomson.

Loss of office payments and payments to past Directors during 2023 (audited)

Chris Cox

Chris Cox stepped down from the role of Interim Chief Executive Officer, and from his position as Executive Director on the Board, on 1 June 2023. Thereafter, he was placed on garden leave until 30 June 2023, at which time the Company exercised its right to end his employment and make a PILON.

As reported in the single figure table on page 83, he was paid £393,107 for the period that he served as a director in 2023. This included an annual bonus of £180,822, further details of which are set out on page 90.

As an employee of the Company, Chris Cox continued to receive his salary, pension contributions and benefits during his period of garden leave, amounting to £45,132. Thereafter, on 26 June 2023, he received a PILON (equivalent to salary, pension and benefits for the remainder of his contractual notice period of one month) of £51,563. In line with his contractual arrangements, Chris also received a payment of £26,442 in respect of accrued but untaken holidays. Chris Cox did not participate in the Company's LTIP or SIP.

Simon Thomson

As reported in last year's Directors' Remuneration Report, Simon Thomson stepped down from his position as Chief Executive Officer on 24 January 2023 and was subsequently placed on garden leave until 21 April 2023, at which time the Company exercised its right to end his employment and make a PILON (equivalent to salary, pension and benefits for the remainder of his contractual notice period).

As disclosed in the single figure table on page 83, he was paid £49,155 for the period that he served as a Director in 2023.

As an employee of the Company, Simon Thomson continued to receive his salary, pension contributions and benefits throughout the period from the cessation of his directorship until the end of his garden leave, amounting to £196,617. Thereafter, he became entitled to his PILON for the balance of his contractual notice period (being 21 April 2023 to 1 February 2024) by way of phased monthly payments, subject to mitigation. In respect of the year to 31 December 2023, Simon received £511,042. For the avoidance of doubt, no annual bonus was paid to Simon Thomson in respect of 2023.

Consistent with the rules of the Company's LTIP, Simon Thomson retained any awards that had vested prior to the date on which he ceased employment (with any outstanding holding periods applicable to those awards continuing to operate as before). All unvested LTIP awards held by Simon Thomson, however, immediately lapsed on the cessation of his employment. Details of LTIP awards exercised by Simon Thomson in the period following his departure from the Company are set out on page 92.

All 'free' or 'matching' shares awarded to Simon Thomson under the all-employee SIP less than three years prior to his leaving date were forfeited for no consideration on cessation of his employment. The balance of his shares under this arrangement were released to him in accordance with the rules of the SIP shortly after his departure. Further details are included on page 93.

James Smith

As also reported in last year's Directors' Remuneration Report, James Smith ceased to be Chief Financial Officer on 1 February 2023. On 27 February 2023 James was placed on garden leave until 14 April 2023 at which time the Company exercised its right to end his employment and make a PILON.

As disclosed in the single figure table on page 83, he was paid £43,961 for the period that he served as a Director in 2023.

As an employee of the Company, James Smith continued to receive his salary, pension contributions and benefits throughout the period from the cessation of his directorship until the end of his garden leave, amounting to £94,914. Thereafter, he received a PILON of £68,803. In line with his contractual arrangements, James also received a payment of £23,022 in respect of accrued but untaken holidays. For the avoidance of doubt, no annual bonus was paid to James Smith in respect of 2023.

The treatment of James's outstanding entitlements under the LTIP and SIP on the cessation of his employment were identical to those described above for Simon Thomson, with details of LTIP award exercised by James following his departure from the Company being set out on page 92.

Non-Executive Directors

Each of Nicoletta Giadrossi, Peter Kallos, Alison Wood and Luis Araujo stepped down from their position as Non-Executive Director on 24 January 2023. They were subsequently paid fees in respect of the period from their date of departure to the end of January 2023, being £3,328 (in the case of Nicoletta Giadrossi), £1,576 (in the case of Alison Wood) and £1,395 (in the case of Peter Kallos and Luis Araujo).

Dilution of share capital pursuant to share plans during 2023

In any 10-year rolling period, the number of ordinary shares which may be issued in connection with the Company's 'discretionary share plans' (which includes the LTIP and the share option/award schemes used to incentivise less senior employees) cannot exceed 5% of the Company's issued ordinary share capital.

In addition, in any 10-year rolling period, the number of ordinary shares which may be issued in connection with all of the Company's employee share schemes (whether discretionary or otherwise) cannot exceed 10% of the Company's issued ordinary share capital. It should also be noted that all shares acquired by or awarded to participants under the SIP and the Deferred Bonus Plan are existing ordinary shares purchased in the market. As a result, neither the SIP nor the Deferred Bonus Plan involves the issue of new shares or the transfer of treasury shares.

Board appointments with other companies during 2023

The Board believes, in principle, in the benefits of Executive Directors accepting positions as Non-Executive Directors of other companies in order to widen their skills and knowledge for the benefit of the Company, provided that the time commitments involved are not unduly onerous. The Executive Directors are permitted to retain any fees paid for such appointments.

The appointment of any Executive Director to a non-executive position with another company must be approved by the Nomination & Governance Committee. In the case of a proposed appointment to a company within the oil and gas industry, permission will only normally be given if the two companies do not compete in the same geographical area.

DIRECTORS' REMUNERATION REPORT CONTINUED

Relative importance of spend on pay

Set out below are details of the amounts of, and percentage change in, remuneration paid to or receivable by all Group employees and distributions to shareholders in the years ended 31 December 2022 and 2023.

	Financial year 2022	Financial year 2023	% change
Employee costs (\$m) ¹	34.3	36.8	7%
Distributions (\$m) ²	511.5	560.0	9.5%

Notes:

(1) 2023 employee costs includes significant redundancy costs as a result of the reorganisation.

(2) For the purposes of the above table, 'Distributions' include amounts distributed to shareholders by way of dividend and share buyback. The figure for 2023 represents the aggregate of (i) the returns of cash that took place in May and October of that year; and (ii) the share buybacks that occurred in the period.

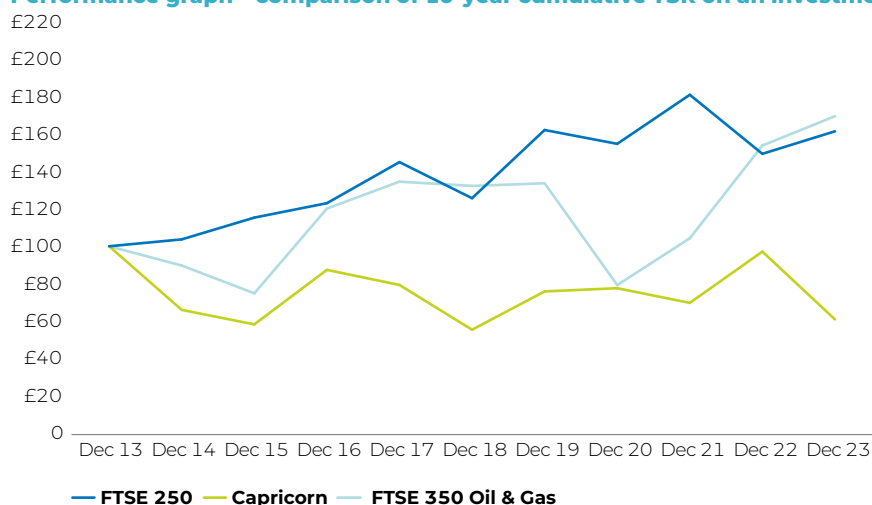
TSR performance graph and further information on Chief Executive pay

Introduction

The following chart demonstrates the growth in value of a £100 investment in the Company and an investment of the same amount in both the FTSE 250 Index and the FTSE 350 Oil & Gas Producers Index over the last 10 years. These comparisons have been chosen on the basis that: Capricorn was a constituent member of the FTSE 250 Index for a significant proportion of 2023; and the FTSE 350 Oil & Gas Producers Index comprises companies that are exposed to broadly similar risks and opportunities as Capricorn.

The table following the graph illustrates the movements in the total remuneration of the Company's Chief Executive during the same 10-year period.

Performance graph – comparison of 10-year cumulative TSR on an investment of £100



Total remuneration of Chief Executive during the same 10-year period

Financial year	Chief Executive	Total remuneration of Chief Executive ¹	Annual variable element award rates for Chief Executive (as % of max. opportunity)	Long-term incentive vesting rates for Chief Executive (as % of original award level)
2023	Randy Neely	£607,642	71% ²	N/A
2023	Chris Cox	£393,107	80% ³	N/A
2023	Simon Thomson	£49,155	N/A	N/A
2022	Simon Thomson	£1,908,773	22.5%	59%
2021	Simon Thomson	£1,950,892	60.5%	67.7%
2020	Simon Thomson	£1,479,731	75%	27.4%
2019	Simon Thomson	£1,173,630	65%	0%
2018	Simon Thomson	£2,204,001	70%	56.7%
2017	Simon Thomson	£2,992,615	76.9%	90.8%
2016	Simon Thomson	£2,081,601	80.2%	81.7%
2015	Simon Thomson	£1,292,167	75%	23.4%
2014	Simon Thomson	£1,073,425	78.5%	0%

Note:

(1) The amounts disclosed in this column have been calculated using the same methodology prescribed by the Regulations for the purposes of preparing the single total figure table shown on page 83.

(2) As explained on page 90, Randy Neely was awarded a bonus for the financial year to 31 December 2023 of 71% of maximum opportunity (being 125% of salary). This figure was then pro-rated by reference to the part of the year that he was employed by the Company, resulting in a final award of 52% of annual base salary.

(3) As explained on page 90, Chris Cox was awarded a bonus for the financial year to 31 December 2023 of 80% of maximum opportunity (being 100% of salary). This figure was then pro-rated by reference to the part of the year that he was employed by the Company, resulting in a final award of 32.9% of annual base salary.

Percentage annual change in Directors' remuneration elements compared to all Group employees

The table below compares the percentage change in various elements of each Directors' remuneration between:

- 2022 and 2023;
- 2021 and 2022;
- 2020 and 2021;
- 2019 and 2020; and

the percentage change in the same remuneration elements of all the Group's employees in respect of those same periods.

	Between 2022 and 2023			Between 2021 and 2022			Between 2020 and 2021			Between 2019 and 2020		
	% change in base salary/fees	% change in taxable benefits	% change in annual bonus	% change in base salary/fees	% change in taxable benefits	% change in annual bonus	% change in base salary/fees	% change in taxable benefits	% change in annual bonus	% change in base salary/fees	% change in taxable benefits	% change in annual bonus
All Group employees	6%	(24)% ¹	(4)%	4.4%	(0.25)%	(13.02)%	2.0%	(6.1)%	(16.7)%	3.0%	(0.4)%	2.2%
Executive Director³												
Randy Neely	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors^{2,4}												
Craig van der Laan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Maria Gordon	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Richard Herbert	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hesham Mekawi	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tom Pitts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Patrice Merrin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former Directors⁵												
Simon Thomson	(93.2)%	(94.5)%	(100.0)%	3.0%	6.7%	(61.7)%	1.0%	20.1%	(18.5)%	1.7%	2.7%	17.3%
James Smith	(90.9)%	(91.2)%	(100.0)%	3.0%	5.6%	(61.7)%	1.0%	(2.8)%	(18.5)%	1.7%	5.0%	17.3%
Chris Cox	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nicoletta Giadrossi	(93.5)%	0%	n/a	3.0%	0%	n/a	110.5%	0%	n/a	0%	0%	n/a
Keith Lough	(91.7)%	0%	n/a	2.6%	0%	n/a	0%	0%	n/a	0%	0%	n/a
Peter Kallos	(93.5)%	0%	n/a	3.0%	0%	n/a	0%	0%	n/a	0%	0%	n/a
Alison Wood	(93.5)%	0%	n/a	2.6%	0%	n/a	13.2%	0%	n/a	100.0%	0%	n/a
Catherine Krajicek	(39.9)%	0%	n/a	3.0%	0%	n/a	0%	0%	n/a	100.0%	0%	n/a
Erik B. Daugbjerg	(42.5)%	0%	n/a	3.0%	0%	n/a	58.9%	0%	n/a	n/a	n/a	n/a
Luis Araujo	(89.7)%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

(1) This fall in taxable benefits for all Group employees was largely attributable to a material decrease in the cost of insurance premiums.

(2) The Non-Executive Directors are not eligible to participate in the annual bonus scheme.

(3) Randy Neely was appointed as an Executive Director on 1 June 2023.

(4) Each of Craig van der Laan, Maria Gordon, Richard Herbert, Hesham Mekawi and Tom Pitts were appointed as Directors on 1 February 2023, with Patrice Merrin being appointed on 26 June 2023.

(5) Each of Simon Thomson, Nicoletta Giadrossi, Peter Kallos, Alison Wood and Luis Araujo stepped down from the Board on 24 January 2023, with Keith Lough and James Smith both stepping down on 1 February 2023. Catherine Krajicek and Erik B. Daugbjerg retired as Non-Executive Directors on 26 June 2023. Chris Cox was appointed as Interim Chief Executive Officer on 1 February 2023 and subsequently left this position on 1 June 2023.

DIRECTORS' REMUNERATION REPORT CONTINUED

Implementation of remuneration policy in 2024

The following table provides details of how the Company intends to implement the key elements of the current Directors' Remuneration Policy described in pages 99 to 107 during the year to 31 December 2024.

Remuneration element	Implementation during 2024												
Base salary	Notwithstanding the 5% standard annual salary increase awarded to the wider employee group for 2024, Randy Neely's base salary did not change with effect from 1 January 2024 and will stay at the £500,000 level paid in 2023.												
Benefits	It is expected that there will be no change to the standard benefit provision in 2024. Executive Directors will be given the opportunity to participate in the SIP on the same terms as apply to all other eligible employees in the arrangement.												
Annual bonus	<p>In accordance with the requirements of the policy, Executive Directors will be eligible to receive a bonus of up to 125% of base salary depending on the extent to which specified measures are satisfied over 2024. Of the bonus award, 25% will be deferred into shares for a period of three years.</p> <p>Similar to prior years, for senior executives in the wider Group, the 2024 bonus will be based on a corporate scorecard incorporating financial, strategic and operational measures.</p>												
LTIP	<p>It is intended that, during the early part of 2024, the current Chief Executive Officer will be granted a further award pursuant to the rules of the LTIP on the following terms:</p> <ul style="list-style-type: none"> – the award will be granted over shares worth 200% of salary; – the extent to which the award vests will be determined by reference to the satisfaction of absolute shareholder return conditions over the period of three consecutive financial years starting on 1 January 2024; and – the overall structure of these conditions will mirror those applied to the award granted to the Chief Executive Officer in 2023, with the precise targets to be applied to the 2024 award being set by the committee at the time of its grant. <p>In light of the ongoing volatility in the Company's share price, the Committee is minded to apply a minimum grant price of 150p for any 2024 awards. This price will also be used as the basis for setting the absolute shareholder return targets. The growth hurdles to be used for 2024 awards are expected to be comparable to those applied for the awards granted in the prior year.</p> <p>Full disclosure of the 2024 LTIP award will be provided in the 2024 Directors' Remuneration Report.</p>												
Retirement benefits	During 2024, the Company will contribute 12.5% of basic salary on behalf of the Executive Directors or pay them an equivalent amount of additional salary. This rate of pension contributions is equal to the amount paid to the wider UK employee population.												
Non-Executive Chair's and Non-Executive Directors' fees	<p>For 2024, the annual fees for Non-Executive Directors, Deputy Chair and the Non-Executive Chair remain unchanged at £80,000, £180,000 and £270,000 respectively.</p> <p>The additional fees for committee Chair and membership in 2024 are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Chair</th> <th>Member</th> </tr> </thead> <tbody> <tr> <td>Audit Committee/Remuneration Committee</td> <td>£15,000</td> <td>£10,000</td> </tr> <tr> <td>Sustainability Committee</td> <td>£10,000</td> <td>£5,000</td> </tr> <tr> <td>Nomination & Governance Committee</td> <td>–</td> <td>£5,000</td> </tr> </tbody> </table>		Chair	Member	Audit Committee/Remuneration Committee	£15,000	£10,000	Sustainability Committee	£10,000	£5,000	Nomination & Governance Committee	–	£5,000
	Chair	Member											
Audit Committee/Remuneration Committee	£15,000	£10,000											
Sustainability Committee	£10,000	£5,000											
Nomination & Governance Committee	–	£5,000											

Dates of appointment and forthcoming election/re-election

The following table sets out the dates on which each of the current Directors was first appointed and specifies the dates on which those individuals are next subject to election or re-election:

Director	Date of original appointment	Date when next subject to election or re-election
Craig van der Laan	1 February 2023	23 May 2024
Maria Gordon	1 February 2023	23 May 2024
Richard Herbert	1 February 2023	23 May 2024
Hesham Mekawi	1 February 2023	23 May 2024
Tom Pitts	1 February 2023	23 May 2024
Patrice Merrin	26 June 2023	23 May 2024
Randy Neely	1 June 2023	23 May 2024

Part 3 – Directors' Remuneration Policy

Introduction

At the AGM held on 26 June 2023, shareholders overwhelmingly approved a new Directors' Remuneration Policy for the Company. This policy, which specifies the various pay structures operated by the Company and summarises the approach that the committee will adopt in certain circumstances such as the recruitment of new directors and/or the making of any payments for loss of office, became effective immediately on receipt of that approval and was applied by the committee during 2023. This policy will also be operative throughout 2024.

Although not required by the regulations, the substantive terms of the above Directors' Remuneration Policy are repeated in this Part 3 for ease of reference. However, any details that were specific to 2023 or earlier years (including, for example, any disclosures relating to the decision-making process that was followed for determining the new policy and the illustrative remuneration scenarios set out on page 105) have, where applicable, been either omitted or updated to reflect the current position. The policy as originally approved by shareholders can be found on pages 79 to 87 of the 2022 Annual Report and Accounts, a copy of which is available on the Company website.

Purpose and role of the Remuneration Committee

The Remuneration Committee determines and agrees with the Board the overall remuneration policy for the Executive Directors and the Group's PDMRs. Within the terms of this agreed policy, the committee is also responsible for determining the:

- total individual remuneration package for each Executive Director and the PDMRs;
- level of awards made under the Company's LTIPs and employee share award schemes, and the performance conditions which are to apply;
- KPIs used to measure performance for the annual bonus scheme;
- bonuses payable under the Company's annual bonus scheme;
- vesting levels of awards under the Company's LTIPs and employee share award schemes; and
- policy for pension arrangements, service agreements and termination payments for Executive Directors and PDMRs.

The committee also reviews the overall remuneration levels and incentive arrangements (including the Group-wide bonus scheme) for employees below senior management level but does not set individual remuneration amounts for such individuals. This oversight role allows the committee to take into account pay policies, employment conditions and culture within the Group as a whole when designing the reward structures of the Executive Directors and PDMRs. For example, the committee considers the standard increase applied to basic pay across the Group when setting Executive Directors' base salaries for the same period.

The committee operates within written terms of reference agreed by the Board. These are reviewed periodically to ensure that the committee remains up-to-date with best practices appropriate to Capricorn, its strategy and the business and regulatory environment in which it operates. The current version of the terms of reference are available on the Company's website.

Consultation with relevant stakeholders

The committee is always keen to ensure that, in carrying out its mandate, it takes into account the views and opinions of all the relevant stakeholders in the business. During 2023, a range of stakeholders were consulted regarding the remuneration of the incoming Directors and this feedback was taken on board by the committee when considering this matter.

Historically, the committee has not undertaken a formal consultation exercise with employees in relation to the Group's policy on senior management remuneration. Members of staff are, however, regularly given the opportunity to raise issues on a variety of matters, including executive pay, via a number of mechanisms such as the Company's EVF, the attendance of Directors at team meetings and employee engagement surveys. The committee believes that this mechanism ensures that its obligations under Provision 41 of the 2018 UK Corporate Governance Code are met.

DIRECTORS' REMUNERATION REPORT CONTINUED

Overview of current remuneration policy

A description of each of the elements comprised in the pay packages for Capricorn's Directors under its remuneration policy is as follows:

Policy table – elements of Directors' remuneration package

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Base salary	<p>Helps recruit and retain employees.</p> <p>Reflects individual experience and role.</p>	<p>Normally reviewed annually (with changes taking effect on 1 January) and/or when otherwise appropriate, including when an individual changes position or responsibility.</p> <p>Aim is to provide a competitive base salary relative to the market (although the committee does not place undue emphasis on benchmarking data and exercises its own judgement in determining pay levels).</p> <p>Decision influenced by:</p> <ul style="list-style-type: none"> – role and experience; – average change in broader workforce salaries; – individual performance; and – remuneration practices in companies of a broadly similar size and value, and relevant oil and gas exploration and production companies. 	<p>Whilst the committee has not set a monetary maximum, annual increases will not normally exceed the level of standard increase awarded to other employees except that more significant increases may be awarded at the discretion of the committee taking into account factors such as:</p> <ul style="list-style-type: none"> – an increase in the scope and responsibility of the individual's role; – the individual's development and performance in the role following appointment; or – a re-alignment with market rates. 	None
Benefits	Helps recruit and retain employees.	<p>Directors are entitled to a competitive package of benefits. For UK executives, the major elements include, but are not limited to, permanent health insurance, private health insurance, death-in-service benefit and a gym and fitness allowance. Directors may also participate in any all-employee plans on the same basis as other employees.</p> <p>The committee reserves the right to provide further benefits where this is appropriate in the individual's particular circumstances (for example costs associated with relocation as a result of the Director's role with the Company). Executive Directors are also eligible for other benefits which are introduced for the wider workforce on broadly similar terms.</p>	<p>Benefits are intended to be market competitive. The committee has not set a monetary maximum for other benefits as the cost of these may vary from time to time. The maximum value for any all-employee plans will be in line with the maximum value for all other employees.</p>	None

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Annual bonus	Rewards the achievement of annual KPIs and/or other objectives linked to the Company's strategic goals.	<p>Bonuses are awarded by reference to performance against specific targets normally measured over a single financial year.</p> <p>Seventy-five percent of any amounts awarded to an individual under this arrangement are paid out in full shortly after the assessment of the performance targets has been completed. The remainder of the bonus will normally be deferred into an award of shares for a three-year period (or such other period as determined by the committee), with the vesting of deferred amounts typically subject to continued employment only.</p> <p>Annual bonuses may be subject to clawback and the extent to which deferred share awards vest may be reduced, if certain events occur in the period of three years from the end of the relevant financial year. These include the committee becoming aware of:</p> <ul style="list-style-type: none"> – a material misstatement of the Company's financial results; – an error in the calculation of performance targets which, had it been known at the relevant time, would have reasonably been expected to have resulted in a lower award being made; – an act committed by the relevant participant that has (or could have) resulted in summary dismissal by reason of gross misconduct; or – a corporate failure which arose due to the conduct of management and which has resulted in the appointment of a liquidator or administrator. <p>The detailed terms of the clawback mechanism applicable to the cash element of any annual bonus award are set out in an individual agreement entered into between the Company and the relevant Executive Director. This provides the committee with a variety of alternative means by which value can be recovered including:</p> <ul style="list-style-type: none"> – the reduction of future bonus awards; – the application of a reduction in the number of shares in respect of which share awards would otherwise vest or be exercisable; and – requiring the individual to make a cash payment to the Company. 	Maximum % of salary: 125%	<p>The measures and targets applicable to the annual bonus scheme (and the different weightings ascribed to each of them) are set annually by the committee in order to ensure they are relevant to participants and take account of the most up-to-date business plan and strategy.</p> <p>All, or a significant majority, of the bonus opportunity will normally be determined by reference to performance against demanding Group KPIs. Further detail in respect of the approach taken for 2023 and 2024 is set out in the Annual Report on Remuneration.</p> <p>The remaining part of a Director's bonus (if any) will normally be based on the achievement of personal objectives relevant to that individual's role within the business.</p> <p>Where possible, a payment scale (ranging from 0% at 'threshold', not more than 50% at 'target' and 100% at 'maximum') for different levels of achievement against each KPI and/or other objective is specified by the committee at the outset of each year. The payment scale may be varied to reflect the stretch of the underlying targets set.</p> <p>The committee has discretion to vary the measures and weightings during the year if events arise which mean that it would be inappropriate to continue with the originally prescribed structure. The committee expects that this discretion will only be exercised in exceptional circumstances and not to make the bonus scheme for that year less demanding than when it was originally set.</p> <p>In addition, the committee has discretion to adjust awards or outcomes to ensure that the ultimate bonus payment for a financial year is fair and reasonable, and properly reflects performance over that period.</p>

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
LTIP	Incentivises Executive Directors to deliver long-term performance for the benefit of shareholders, thereby aligning the interests of the Directors with those of the Company's investors.	<p>The LTIP was established by the Company following receipt of the necessary shareholder approvals at the 2017 AGM.</p> <p>Awards will normally be made annually with vesting dependent on achievement of performance conditions chosen by the committee that are typically measured over a period of at least three years.</p> <p>Vesting of awards will generally take place on the third anniversary of grant or shortly following the date on which the performance conditions are assessed by the committee.</p> <p>All awards that vest will normally be subject to a holding period in terms of which the relevant shares will only be released/become exercisable after a further period of at least two years following the end of the performance period.</p> <p>The committee reviews the quantum of awards annually, taking into account factors such as market rates and overall remuneration. The committee also retains the discretion to adjust award levels in certain circumstances e.g. where there has been a significant movement in the Company's share price.</p> <p>Under the rules of the LTIP, awards may be subject to malus and/or clawback provisions if certain events occur after their grant but before the expiry of the period of three years from the end of the relevant performance period. These events include:</p> <ul style="list-style-type: none"> – the committee becoming aware of a material misstatement of the Company's financial results; – the committee becoming aware of an error in the calculation of performance targets which, had it been known at the relevant time, would have reasonably been expected to have resulted in a lower award being made; – the relevant participant committing an act that has (or could have) resulted in summary dismissal by reason of gross misconduct; or – a corporate failure arising, due to the conduct of management, which has resulted in the appointment of a liquidator or administrator. 	Normal total maximum % of salary: 250%	<p>Vesting of awards granted under the LTIP will be determined based on performance against targets, normally measured over a period of at least three years.</p> <p>The committee will review and set weightings and targets for each LTIP grant to ensure they remain appropriate. A significant proportion of any award will normally be linked to share price-based measures. The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. Where material changes are made to the type of performance conditions, the committee will consult with major shareholders prior to making any such decision.</p> <p>Up to 25% of the maximum award may vest for threshold performance.</p> <p>The committee retains the discretion to vary the vesting outcome level produced by the formulaic operation of the performance conditions in circumstances where, based on its independent judgement, it considers it appropriate to do so (e.g. where the outturn from the assessment of the prescribed targets is not, in the committee's view, a genuine reflection of the underlying performance of the Company).</p> <p>The details of performance criteria for 2024 onwards will be based on the strategic priorities at the time of award.</p>

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Retirement benefits	Rewards sustained contribution.	<p>The Company operates a defined contribution group personal pension plan in the UK. The scheme is non-contributory and all UK permanent employees, including the Executive Directors, are eligible to participate.</p> <p>The Company contributes a specified percentage of basic annual salary for senior employees, including Executive Directors.</p> <p>Where an Executive Director has an individual personal pension plan (or overseas equivalent), the Company pays its contribution to that arrangement.</p> <p>If an Executive Director's pension arrangements are fully funded or applicable statutory limits are reached, an amount equal to the Company's contribution (or the balance thereof) is paid in cash.</p>	For Executive Directors, the Company's pension contributions are at a level that is capped at the maximum amount payable to the wider UK employee population (currently 12.5% of basic salary)	None
Share ownership policy	Aligns Executive Director and shareholder interests and reinforces long-term decision-making.	<p>During their employment, Executive Directors are obliged to build up and maintain a target holding of shares worth 200% of salary.</p> <p>Executive Directors are also normally required to maintain a shareholding equal to 200% of final salary for a period of two years after they step down from the Board.</p> <p>Further details relating to both the above requirements (including the particular shares to which they relate and the enforcement mechanisms that have been put in place) are set out on page 93.</p>	Not applicable	None

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration element	Purpose and link to strategy	Operation	Opportunity	Framework for assessing performance
Non-Executive Chair's fees and Non-Executive Directors' fees	<p>Helps recruit and retain high-quality, experienced individuals.</p> <p>Reflects time commitment and role.</p>	<p>Non-Executive Directors' fees are considered annually and are set by the executive members of the Board and the Non-Executive Chair, taking into account a range of relevant factors such as:</p> <ul style="list-style-type: none"> – market practice; – time commitment; and – responsibilities associated with the roles. <p>Additional fees may be payable for additional Board responsibilities such as membership and/or chair of a committee.</p> <p>The Non-Executive Chair's fee is similarly considered annually and is determined in light of factors such as market practice, the time commitment and responsibilities associated with the role and other relevant factors.</p> <p>Role-appropriate benefits may be provided in certain circumstances. This includes the reimbursement of any expenses incurred in the performance of duties (and associated tax on those expenses).</p> <p>None of the Non-Executive Directors nor the Non-Executive Chair participates in any of the Company's share schemes and they are not entitled to a bonus or pension contributions. Their fees can, however, be paid in cash or in shares (or a balance of both).</p>	<p>The aggregate fees of the Non-Executive Chair and Non-Executive Directors will not exceed the limit from time to time prescribed in the Company's Articles of Association</p>	None

Notes:

- (1) A description of how the Company intends to implement the policy set out in this table during the financial year to 31 December 2024 is provided on page 98.
- (2) The following differences exist between the Company's above policy for the remuneration of Directors and its approach to the payment of employees generally:
 - participation in the LTIP is typically aimed at the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Employee Share Award Scheme (details of which are provided in section 4.4 of the notes to the Financial Statements on pages 154 and 155);
 - a lower level of maximum annual bonus opportunity applies to employees other than the Executive Directors and certain PDMRs; and
 - benefits offered to other employees generally comprise permanent health insurance, private health insurance, death-in-service benefit and gym and fitness allowance.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and PDMRs, a greater emphasis is placed on variable pay.
- (3) The choice of the performance metrics applicable to the annual bonus scheme reflect the committee's belief that any incentive compensation should be tied to appropriately challenging measures of both the overall performance of the Company against its strategic KPIs and (where appropriate) those areas that the relevant individual can directly influence.
- (4) The performance conditions applicable to the LTIP will be selected by the committee to ensure that they align with the Company's strategic objectives going forward.
- (5) Where a nil-cost option award under the LTIP becomes exercisable, it will generally remain so until the 10th anniversary of the date on which it was granted.

Detailed provisions

Common terms of share awards

Awards under any of the Company's discretionary share plans may:

- be granted as conditional share awards or nil-cost options or in other such form that the committee determines has the same economic effect;
- have any performance conditions applicable to them amended or substituted by the committee if an event occurs which causes the committee to determine that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;
- incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under the award that vest up to the time of vesting (or, where the award is subject to a holding period, release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- be settled in cash at the committee's discretion;
- be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price; and
- otherwise be adjusted or amended in accordance with the provisions of the relevant plan rules.

Legacy awards

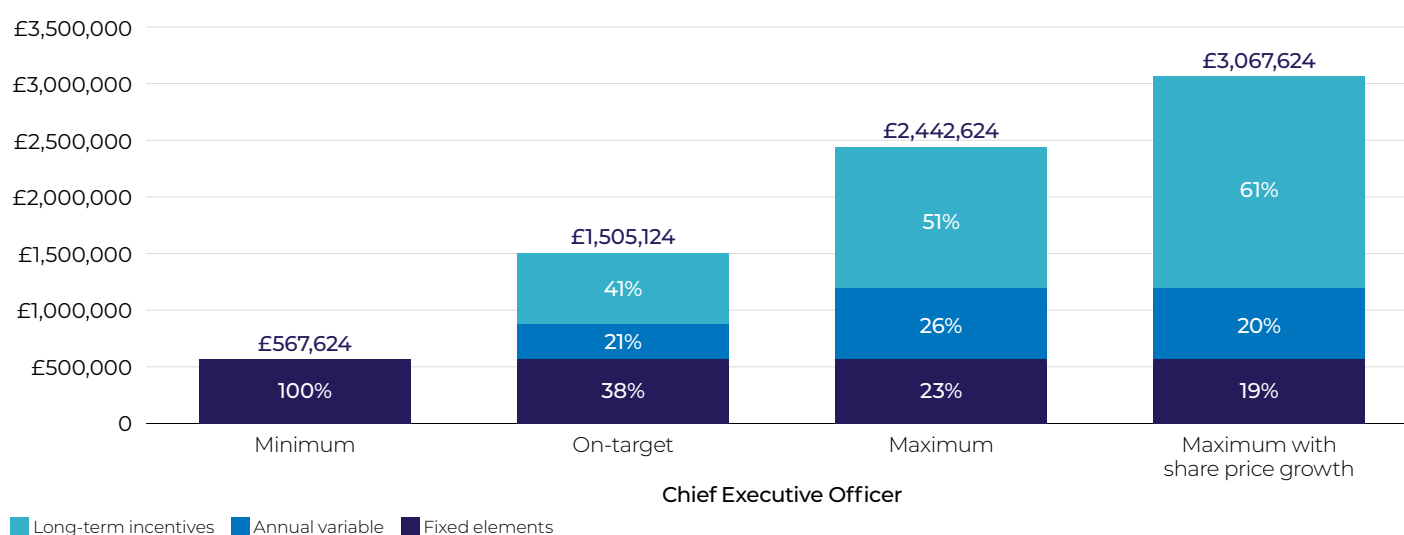
The committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before 15 May 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Minor amendments

The committee may make minor amendments to the policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation), provided that any such change is not to the material advantage of the participant.

Remuneration scenarios relating to the above policy

In the chart below, we show the make-up of remuneration of the current Chief Executive Officer in 2024 under minimum, on-target and maximum scenarios. A further column has also been included which illustrates the impact on the figures contained in the maximum scenario of an assumed share price appreciation for the LTIP award of 50% over the relevant performance period.



In developing the above scenarios, the following assumptions have been made:

- the 'minimum' column is intended to show the fixed level of remuneration to which the Chief Executive Officer is entitled in 2024 irrespective of performance levels, namely base salary (at current rate), benefits (using the annualised details for the recurring items included in the 2023 single total figure table provided on page 83) and pension (calculated by applying the percentage entitlement for that individual set out in the policy table against the above salary figure);
- the 'on-target' scenario seeks to illustrate the remuneration the current Chief Executive Officer would receive if performance was in line with expectation. In addition to the fixed elements summarised above, it assumes a 50% of maximum payout under the annual bonus scheme and a 50% vesting of an LTIP award granted over shares worth 250% of salary;
- the 'maximum' columns demonstrate total remuneration levels in circumstances where the above variable elements pay out in full, namely an annual bonus payment of 125% of salary (with 75% of bonus paid in cash and the balance delivered in the form of a deferred share award) and 100% vesting of an LTIP award to be granted in 2024 over shares worth 250% of salary;
- for the 'maximum with share price growth' column, share-price appreciation of 50% over the relevant performance period has been assumed for the LTIP award. For all other columns, any post-grant share price movements have not been taken into account for the purposes of valuing LTIP and deferred bonus awards; and
- the Chief Executive Officer is entitled to participate in the SIP on the same basis as other employees. The value that may be received under this arrangement is subject to legislative limits and, for simplicity, has been excluded from the above chart.

DIRECTORS' REMUNERATION REPORT CONTINUED

Recruitment policy

Base salaries

Salaries for any new director hires (including internal promotions) will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role. Where it is appropriate to offer a below-market salary initially, the committee will have the discretion to allow phased salary increases over time for newly appointed directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits

Benefits for new appointees to the Board will normally be provided in line with those offered to other Executive Directors and employees taking account of local market practice, with relocation expenses/arrangements provided for if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with Capricorn. Legal fees and other reasonable costs and expenses incurred by the individual may also be paid by the Company. Retirement benefits for any new Executive Directors will be in accordance with the terms of the policy.

Variable pay

Where an individual is appointed to the Board, the committee will ensure that ongoing variable remuneration arrangements are framed in accordance with the terms of, and are subject to the limits contained in, the Company's policy table set out above; however, different performance measures may be set for the year of joining the Board, taking into account the individual's role and responsibilities and the point in the year the executive joined.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

Buy-outs

The committee may make awards to 'buy-out' a candidate's remuneration arrangements and contractual terms that are forfeited as a result of joining the Company. In doing so, the design of these awards would appropriately reflect the value, nature, time horizons and performance requirements attaching to the forfeited remuneration. Shareholders will be informed of any such arrangements at the time of appointment.

Non-Executive Chair and Non-Executive Directors

On the appointment of a new Non-Executive Chair and other Non-Executive Directors, the fees will be set taking into account a range of relevant factors such as market practice, time commitment and the responsibilities associated with the role. Where specific cash or share arrangements are delivered to Non-Executive Directors, these will not include share options or other performance-related elements.

Executive Directors' service contracts

Executive Directors have a rolling service contract that provides for 12 months' notice by the director or the Company. The committee believes that this policy on notice periods provides an appropriate balance between the need to retain the services of key individuals who will benefit the business and the need to limit the potential liabilities of the Company in the event of termination. The service contracts may also include restrictive covenants which may apply after leaving the Company.

The Executive Directors' service contracts are available for inspection, on request, at the Company's registered office.

Exit payment policy for Executive Directors

Executive Directors' contracts allow for termination with contractual notice from the Company or termination with a PILON, at the Company's discretion. The contracts also allow for phased payments to be made on termination with an obligation on the individual to mitigate loss. Neither notice nor a PILON will be given in the event of gross misconduct. The committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination and the contractual obligations of both parties as well as the relevant share plan and pension scheme rules.

In the event of termination by the Company, an Executive Director would be entitled to receive an amount representing base salary and the value of benefits and pension contributions due under the individual's service contract for the notice period. Directors are not entitled to participate in any additional redundancy scheme. The committee will have the authority to settle legal claims against the Group (e.g. for unfair dismissal, discrimination or whistleblowing) that arise on termination. The committee may also authorise the provision of outplacement services and pay reasonable legal expenses associated with the termination.

On termination of employment, the committee has discretion as to the amount of bonus payable in respect of the year of termination. The bonus paid would reflect the Company's and the individual's performance during that period. However, any bonus payable (in cash and/or share awards as determined by the committee) on termination would not normally exceed a pro-rated amount to reflect the period for which the individual had worked in the relevant year.

As a general rule, if an Executive Director ceases employment, all unvested share awards granted pursuant to the Company's deferred bonus arrangements will lapse immediately. However, if such cessation occurs by reason of death, injury, permanent disability, or because the individual's employing company or part of the business in which he/she is employed is transferred out of the Group, retirement with the agreement of the Company, or in any other circumstances determined by the committee other than where an individual has been summarily dismissed (in each case, a 'good leaver'), those awards will not lapse and will normally continue to vest at the end of the original vesting period. The committee may determine that a deferred bonus award should vest before the normal time in certain circumstances, for example where an individual has died. The committee also has the discretion to time pro-rate any awards held by such a good leaver.

As a general rule, if an Executive Director ceases employment, all unvested awards granted pursuant to the Company's LTIP will lapse immediately. However, if such cessation occurs by reason of death, injury, permanent disability, or because the individual's employing company or part of the business in which he/she is employed is transferred out of the Group, or in any other exceptional circumstances determined by the committee (in each case, a 'good leaver'), those awards will not lapse and will normally continue to vest at the end of the original performance period but only if, and to the extent that, the applicable performance conditions are satisfied. The committee may determine that an award should vest before the normal time in certain circumstances, for example where an individual has died. It is the Remuneration Committee's normal policy to time pro-rate any awards held by such a good leaver, although it retains the discretion to refrain from doing so in exceptional circumstances. Any holding period attached to the share awards would normally continue to apply unless the committee determines otherwise.

If an Executive Director ceases employment, LTIP awards subject to a holding period will normally be released (or if structured as nil-cost options, become exercisable) on the original timescales. These awards will, however, lapse where cessation occurs due to the individual's gross misconduct, or if the committee considers it appropriate, the individual's bankruptcy. The committee has the discretion to accelerate the release of shares in certain circumstances, for example death.

In the event of a change of control or winding up of the Company, treatment of share awards will be in accordance with the relevant plan rules. The committee has the discretion to disapply time pro-rating in the event of a change of control.

If there is a demerger or special dividend, the committee may allow awards to vest on the same basis as for a change of control.

Non-Executive Directors' letters of appointment

None of the Non-Executive Directors nor the Non-Executive Chair has a service contract but all have letters of appointment that set out their duties and responsibilities, the time commitment expected by the Company, and the basis on which their fees will be paid. These letters of appointment have either: no fixed term but can be terminated with immediate effect by either the Director concerned or the Company; or have a fixed term of three years but can be terminated with one month's notice by either the Director concerned or the Company, and, in both cases, are subject to the Company's Articles of Association, which provide for the annual election or re-election by shareholders of all the Company's directors. There are no provisions for compensation payable on termination of appointment.

None of the Non-Executive Directors nor the Non-Executive Chair participates in any of the Company's share schemes and they are not entitled to a bonus or pension contributions.

The Non-Executive Directors' and Non-Executive Chair's letters of appointment are available for inspection, on request, at the Company's registered office.

The Directors' Remuneration Report was approved by the Board on 28 March 2024 and signed on its behalf by:

Maria Gordon

Remuneration Committee Chair

28 March 2024

DIRECTORS' REPORT

The Directors of Capricorn Energy PLC (registered in Scotland with company number SC226712) (the "Company") present their Annual Report and Accounts for the year ended 31 December 2023 together with the audited consolidated Financial Statements of the Group and Company for the year. These will be laid before shareholders at the AGM to be held on 23 May 2024. The Directors' Report and the Strategic Report (which includes trends and factors likely to affect future development, performance and position of the business, our Section 172 Statement and a description of the principal risks and uncertainties of the Company's Group can be found on pages 10 and 11 and pages 42 to 48 and is hereby incorporated by reference), collectively comprise the management report as required under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Results and dividend

The Group made a loss after tax of \$144.0m (2022: restated loss after tax of \$67.1m).

Further to the Company's strategic review which began on 1 February 2023, the Company paid a special dividend of approximately \$450m to shareholders in May 2023 and a further special dividend of approximately \$100m in October 2023. The Directors recommend the payment of a dividend for the year ended 31 December 2023. The 2024 special dividend of \$50m, which will be accompanied by a share consolidation and is subject to shareholder approval at the AGM, is expected to be paid during Q2 of 2024.

Strategic report

Details of the Group's strategy and business model during the year and the information that fulfils the requirements of the Strategic Report can be found in the Strategic Report section of this document on pages 2 to 53, which are deemed to form part of this report by reference.

Details of Capricorn's offices and Capricorn's advisers are given at the end of this report.

Change of control

All of the Company's share incentive plans contain provisions relating to a change of control and further details of these plans are provided in the Directors' Remuneration Report on pages 80 to 107. Generally, outstanding options and awards will vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

Other than in respect of the \$325m senior debt facility agreement entered into by Capricorn Egypt Limited and its partner Cheiron with Société Générale and other syndicated banks dated 24 June 2021 and the \$80m junior debt facility agreement entered into by Capricorn Egypt Limited and its partner Cheiron with Trafigura Ventures V B.V. and Deutsche Bank A.G. dated 24 June 2021 (together the "Egypt Facility Agreements"), there are no significant agreements to which the Company or a member of the Group is a party that take effect, alter or terminate in the event of a change of control of the Company. In terms of each of the Egypt Facility Agreements, if there is a change of control of the Company, the majority lenders may cancel the commitments and all outstanding amounts will become immediately due and payable.

Corporate governance

The Company's Corporate Governance Statement is set out on pages 63 to 69 and is deemed to form part of this report by reference.

Directors

The names and biographical details of the current Directors of the Company are given in the Board of Directors section on pages 56 and 57. The beneficial interests of the Directors who held this office during 2023 in the ordinary shares of the Company are shown below:

	Number of shares as at 31 December 2022	Number of shares as at 31 December 2023	Number of shares as at 27 March 2024
Craig van der Laan ²	–	0	0
Randy Neely ¹	–	2,107	2,107
Maria Gordon ²	–	0	0
Richard Herbert ²	–	0	0
Hesham Mekawi ²	–	0	0
Tom Pitts ²	–	0	0
Patrice Merrin ³	–	0	0

Former Directors

Simon Thomson ⁴	703,190	–	–
James Smith ⁵	31,864	–	–
Nicoletta Giadrossi ⁴	0	–	–
Keith Lough ⁵	0	–	–
Peter Kallos ⁴	9,292	–	–
Alison Wood ⁴	0	–	–
Luis Araujo ⁴	0	–	–
Catherine Krajicek ⁶	0	–	–
Erik B. Daugbjerg ⁶	0	–	–
Chris Cox ⁷	–	–	–

Notes:

The figures in the table above include shares held by connected persons.

(1) Appointed as a Director on 1 June 2023.

(2) Appointed as a Director on 1 February 2023.

(3) Appointed as a Director on 26 June 2023.

(4) Resigned as a Director on 24 January 2023.

(5) Resigned as a Director on 1 February 2023.

(6) Resigned as a Director on 26 June 2023.

(7) Appointed as a Director on 1 February 2023 and resigned from this appointment on 1 June 2023.

Details of outstanding awards over ordinary shares in the Company held by the Directors (or any members of their families) are set out in the Directors' Remuneration Report on pages 91 and 92.

None of the Directors have a material interest in any contract, other than a service contract or letter of appointment, with the Company or any of its subsidiary undertakings. Details of the Directors' service contracts and letters of appointment are set out in the Directors' Remuneration Report on pages 106 and 107.

DIRECTORS' REPORT CONTINUED

Share capital

The issued share capital of the Company is shown in section 7.1 of the notes to the Financial Statements. As at 22 March 2024, 92,012,146 ordinary shares of 735/143 pence each (the "Ordinary Shares") have been issued, are fully paid up and are quoted on the London Stock Exchange. The rights attaching to the Ordinary Shares are set out in the Company's Articles of Association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Voting rights

The following paragraph details the position in relation to voting rights attaching to shares set out in the Company's Articles of Association. However, the Company recognises that best practice is now to hold a poll on all shareholder resolutions. It is the Company's current practice, therefore, to hold a poll and it is committed to doing so going forward.

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting or class meeting, on a show of hands, every member present in person and every duly appointed proxy entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every share held by him/her. In the case of joint holders of a share, the vote of the senior member who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A corporation which is a member of the Company may authorise one or more individuals to act as its representative or representatives at any meeting of the Company, or at any separate meeting of the holders of any class of shares. A person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company.

Restrictions on voting

No member shall, unless the Directors of the Company otherwise determine, be entitled in respect of any share held by him/her to attend or vote at a general meeting of the Company either in person or by proxy if any call or other sum presently payable by him/her to the Company in respect of shares in the Company remains unpaid. Further, if a member has been served with a notice by the Company under the Companies Act 2006 requesting information concerning interests in shares and has failed in relation to any shares to provide the Company, within 14 days of the notice, with such information, the Directors of the Company may determine that such member shall not be entitled in respect of such shares to attend or vote (either in person or by proxy) at any general meeting or at any separate general or class meeting of the holders of that class of shares. Proxy forms must be submitted not less than 48 hours (or such shorter time as the Board may determine) (excluding, at the Board's discretion, any part of any day that is not a working day) before the time appointed for the holding of the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours (or such shorter time as the Board may determine) before the time appointed for the taking of the poll at which it is to be used.

Variation of rights

Whenever the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class may, subject to statute and unless otherwise expressly provided by the rights attached to the shares of that class, be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting, the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class. These provisions also apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if the shares concerned and the remaining shares of such class formed separate classes. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or the terms upon which such shares are for the time being held, be deemed not to be varied or abrogated by the creation or issue of further shares ranking *pari passu* with, or subsequent to, the first mentioned shares or by the purchase by the Company of its own shares.

Transfer of shares

Subject to any procedures set out by the Directors in accordance with the Articles of Association, all transfers of shares shall be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors of the Company. The instrument of transfer shall be executed by, or on behalf of, the transferor and (except in the case of fully paid shares) by, or on behalf of, the transferee. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members of the Company.

The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register a transfer of any share which is not a fully paid share unless such share is listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. The Directors may also refuse to register a transfer of a share in uncertificated form where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations 2001 to register the transfer and they may refuse any such transfer in favour of more than four transferees.

The Directors may also refuse to register any transfer of a share on which the Company has a lien.

The Directors may, in their absolute discretion and without assigning any reason therefore refuse to register a transfer of any share in certificated form unless the relevant instrument of transfer is in respect of only one class of share, is duly stamped or adjudged or certified as not chargeable to stamp duty, is lodged at the transfer office or at such other place as the Directors may determine, is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and is in favour of not more than four transferees jointly. If the Directors refuse to register a transfer, they shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company (in the case of a share in certificated form) or the date on which the operator instruction (as defined in the Uncertificated Securities Regulations 2001) was received by the Company (in the case of a share in uncertificated form) (or in either case such longer or shorter period (if any) as the Listing Rules may from time to time permit or require), send to the transferee notice of the refusal.

Major interests in share capital

As at 31 December 2023 and 18 March 2024 (being the latest practicable date prior to the date of this report), the Company had received notification that shareholdings of 3% and over were as set out in the table below.

Fund Manager	Shares as at 31 December 2023	% Share Capital	Shares as at 18 March 2024	% Share Capital
Goldman Sachs collateral account	12,896,951	13.75	7,905,208	8.59%
Newtyn Partners	12,354,001	13.17	13,883,698	15.09%
Palliser Capital	7,549,267	8.05	7,549,267	8.20%
Kite Lake Capital Management	7,174,748	7.65	7,174,748	7.80%
Morgan Stanley as principal	6,159,008	6.57	5,151,496	5.60%
Dimensional Fund Advisors	4,108,385	4.38	3,950,205	4.29%
Vanguard Group	3,948,378	4.21	1,492,254	1.62%
Bank of New York stocklending collateral account	3,071,869	3.28	5,786,315	6.29%
Madison Avenue Partners	300,810	0.32	4,717,354	5.13%
Bank of America Merrill Lynch International collateral account	–	–	4,589,755	4.99%

DIRECTORS' REPORT CONTINUED

Political donations

No political donations were made and no political expenditure was incurred during the year.

Greenhouse gas emissions

Details of the Group's greenhouse gas emissions can be found in the Strategic Report section on pages 18 to 22, which are deemed to form part of this report by reference. Our response to the Streamline Energy and Carbon Reporting framework has been provided on page 22 of this Annual Report and Accounts and is also deemed to form part of this report by reference.

Employee and stakeholder engagement

Details of the Company's engagement with employees and external stakeholders are noted in the Strategic Report on pages 32 to 35 and in our Section 172 Statement on pages 10 and 11, which are hereby incorporated in this report by reference.

Financial instruments

The financial risk management objectives and policies of the Company are detailed in Section 3.8 of the Financial Statements.

Disclosure of information under Listing Rule 9.8.4C

For the purposes of Listing Rule 9.8.4C, the Company confirms there are no disclosures to be made in respect of Listing Rule 9.8.4R.

Acquisition of own shares

Further to the Company's strategic review which began on 1 February 2023, the Board is committed to returning to shareholders all excess cash flow not required for its future core operational focus. It was determined that this would include a share buyback of at least \$25m over the next 12 months. In May 2023, the Company commenced a share buyback programme, having entered into an agreement with its brokers, Merrill Lynch International, to repurchase for cancellation ordinary shares in the capital of the Company on the Company's behalf and within certain preset parameters. As at 31 December 2023, the Company had purchased 5,244,625 Ordinary Shares for cancellation (this number includes all of the Ordinary Shares resulting from the consolidation of: (1) the ordinary shares of 21/13 pence each purchased prior to 16 May 2023 into ordinary shares of 490/143 pence each; and (2) the ordinary shares of 490/143 pence each purchased prior to 6 October 2023 into Ordinary Shares, each under the Share Repurchase Programme announced on 4 May 2023 at a cost (including dealing and associated costs) of £14,305,526.71.

Appointment and replacement of Directors

The Company's Articles of Association provide that Directors can be appointed by the Company by ordinary resolution, or by the Board. The Nomination & Governance Committee makes recommendations to the Board on the appointment and replacement of Directors. Further details of the rules governing the appointment and replacement of Directors are set out in the Corporate Governance Statement on page 65 and in the Company's Articles of Association.

Directors' indemnities

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 (a "Qualifying Third-Party Indemnity Provision"). The indemnity was in force throughout the last financial year and is currently in force.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The Directors currently have powers both in relation to the issuing and buying back of the Company's shares and are seeking renewal of these powers at the forthcoming AGM.

Articles of Association

Unless expressly specified to the contrary therein, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts, the Directors' Remuneration Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company Financial Statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group Financial Statements in accordance with international financial reporting standards adopted by the UK. 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 Group and the Company and of the profit or loss of the Group and Company 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 for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, UK-adopted international financial reporting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- 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 disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website (www.capricornenergy.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Following careful review and consideration of the Capricorn Energy PLC Annual Report and Accounts 2023 (the "Accounts"), the Directors consider that the Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section on pages 56 and 57, confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with UK-adopted IFRS, give a true and fair view of the assets, liabilities, financial position, loss of the Group and loss of the Company; and
- the Strategic Report section on pages 2 to 53 of this document includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to auditors

Each of the Directors of the Company as at 28 March 2024, being the date this report is approved, confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the Directors have taken appropriate steps to make themselves aware of the relevant audit information and to establish that the Company's auditors are aware of this information.

AGM 2024

The AGM of the Company will be held at The Cellar Room, Kimpton Charlotte Square Hotel, 38 Charlotte Square, Edinburgh EH2 4HQ at 11.00 a.m. on 23 May 2024. The resolutions to be proposed at the AGM are set out and fully explained in the Notice of AGM which has been posted to shareholders together with this Annual Report and Accounts. Full details are included in the Notice of AGM.

Recommendation

The Board considers that all of the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of all of the proposed resolutions.

This Annual Report was approved by the Board of Directors and authorised for issue on 28 March 2024.

By order of the Board

Paul Ervine

Company Secretary

28 March 2024

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPRICORN ENERGY PLC

Report on the audit of the financial statements

Opinion

In our opinion, Capricorn Energy PLC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 31 December 2023; the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Cash Flows and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7.5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

Capricorn Energy PLC is an independent, UK-based energy company, focused on oil and gas exploration, development and production. Capricorn's activities are focused in Egypt. Capricorn's headquarters and finance team are in Edinburgh supported by a team in Egypt.

Overview

Audit scope

- We conducted audit work on 8 components. 4 of these components were subject to a full scope audit, the remaining 4 were subject to specified scope. All audit work performed to support the group audit report was performed by the group engagement team in the UK. Our audit scope covered 97.3% of total assets.

Key audit matters

- Valuation of Expected Credit Loss ("ECL") of EGPC receivable (group)
- Valuation of Goodwill and Production assets (group)
- Valuation of Investments in subsidiaries (parent)

Materiality

- Overall group materiality: US\$6,675,000 (2022: US\$15,300,000) based on 1% of Total Assets.
- Overall company materiality: US\$4,178,000 (2022: US\$12,500,000) based on 1% of Total Assets.
- Performance materiality: \$5,006,000 (2022: US\$11,475,000) (group) and \$3,133,000 (2022: US\$9,375,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of Expected Credit Loss ("ECL") of EGPC receivable is a new key audit matter this year. Valuation of Intangible Exploration Assets, Valuation of contingent consideration receivable arising from sale of North Sea assets, and Going Concern Assessment, which were key audit matters last year, are no longer included because of the fact that they did not represent a significant risk or area of significant focus because of the group's focus away from exploration activities, the disposal of the contingent consideration balance during 2023 and the cash resources available to the group respectively. Otherwise, the key audit matters below are consistent with last year.

Key audit matter**Valuation of Expected Credit Loss ("ECL") of EGPC receivable (group)**

Under IFRS 9, a lifetime expected credit loss should be assessed when there are trade receivables with a significant increase in credit risk since initial recognition.

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

EGPC net receivables totalled \$168.5m as of 31 December 2023 (2022: \$96.9m). Although the gross amount has increased throughout the year, Capricorn have been receiving cash payments throughout the period. Management's ECL is based on the sovereign risk overview default rating for the Arab Republic of Egypt which has been applied to the outstanding receivables based on the months outstanding.

Management have assessed that the expected credit loss for the EGPC trade receivables at 31 December 2023 is \$9.0m (2022: \$1.0m).

This is an area of audit focus given the value of the balance of receivables outstanding and the estimates involved in determining the ECL under IFRS 9.

Refer to note 3.5 of the financial statements.

Valuation of Goodwill and Production assets (group)

Goodwill of US\$25.4m arose on the acquisition of the Western Desert assets in Egypt in 2021. Under IAS 36 Goodwill is required to be tested for impairment annually, and management performed this test as at 31 December 2023.

In addition, under IAS 36, where there is an impairment trigger, non-current production assets must be evaluated for impairment.

Following the performance from producing assets being below expectation and a downgrade in reserve volumes management have assessed that there is an impairment trigger on the Group's producing assets and Goodwill in Egypt.

Management estimates the recoverable amount of the goodwill and producing assets using a discounted cash flow model, which estimates the future cash flow projections over the licence period of the assets, discounted back to present day.

The key assumptions used by management include the following: Discount rate, Short term oil price, Long Term oil price, future capital and operating costs, estimates of hydrocarbon reserves and the timing of receipts for hydrocarbon sales.

Based upon the discounted cash flow projections used by management, there was an impairment charge of US\$29.1m to producing assets recognised in the current year.

Based upon the discounted cash flow projections used by management, there was also an impairment of \$14.6m to Goodwill in the current year.

This is an area of audit focus given the value of the goodwill and production assets and the judgements and estimates made by management in their impairment assessment, particularly in respect of projected cash flows and discount rate.

Refer to notes 2.3, 2.4 and 2.8 to the financial statements.

How our audit addressed the key audit matter

In our audit of the accounts receivable and ECL balances we have:

- Held discussions with management and the revenue team to understand the current position of the receivable including the status of recovering amounts outstanding;
- Obtained management's ECL calculation and confirmed the methodology is in line with IFRS 9;
- Verified that the sovereign debt rating used by management in their ECL calculation was consistent with publicly available market data on the credit rating of Egypt;
- Validated the aging profile of the receivables, and cash received during the period, and concluded that the 12 month credit default risk rating is appropriate;
- Recalculated the expected ECL using the IFRS 9 methodology; and
- Evaluated the financial statement disclosure.

Based on our procedures, we concluded that the ECL and related disclosures were appropriate.

In auditing the valuation of Goodwill and Production assets for the year ended 31 December 2023, we have performed the following procedures:

- Validated the reserves estimates prepared by management's internal and external experts. We evaluated management's internal and external reserves experts for competence and objectivity;
- Discussed reserves estimates with management's reserves experts to assess any key judgements or differences between the internal and external experts. Where there were differences, we sought explanations for these;
- Understood the source of the operator's forecast oil and gas production, validated to reserves data, compared to budgets and assessed Capricorn's previous ability to forecast oil and gas production figures and to previously approved budgets;
- Compared the timing of cash receipts for the sale of hydrocarbons to the recent history of recovery and considering other forward looking factors;
- Assessed the operating and capital cost forecasts used in the model by comparing to operator forecasts and other evidence where appropriate;
- Benchmarked key assumptions including comparing the commodity price, inflation and discount rates used to expected ranges prepared by our own Valuation experts;
- Assessed the composition of each CGU based on the requirements of IAS 36;
- Validated the mathematical accuracy and integrity of the model for each concession and agreed the net book values to Capricorn's books and records;
- Obtained and understood the concession agreements to confirm terms that may affect the valuation;
- Considered the global focus on clean energy transition and climate change in the context of the key assumptions, in particular in relation to the cost of carbon;
- Assessed the results of management's sensitivity analysis, and performing our own sensitivities; and
- Assessing the disclosures in the financial statements.

We found the oil price assumption used by management to be below our independently assessed range. Our audit therefore focused on the sensitivity of the impairment assessments to movements in key assumptions and there was not a material difference when we applied assumptions within the acceptable range.

We determined that management's disclosures were appropriate.

Key audit matter

Valuation of Investments in subsidiaries (group)

The carrying value of investments in the company balance sheet is US\$334.1m.

At the year end, investments in subsidiaries were reviewed for indicators of impairment and impairment tests conducted where indicators were identified.

Following this review, management concluded that the investment in Capricorn Oil Limited was impaired to reflect the fair value of the underlying assets of the Capricorn Oil Group. The fall in the value of the investments in the Capricorn Oil Group is principally due to a reduction in the fair value of the Group's underlying assets.

This resulted in a charge of US\$268.3m to the Income Statement in 2023.

This is an area of audit focus because the support for the carrying value is based on judgements and estimates made by management in their impairment assessment, in particular in respect of projected cash flows and discount rate.

Refer to note 8.2 to the company financial statements.

How our audit addressed the key audit matter

In assessing the carrying value of investments in subsidiaries, we undertook the following work:

- For the investment in Capricorn Oil Group, we compared the resulting investment balance to our audit work on the other assets and liabilities of the Group, including considering the impact on underlying fair value of the group's producing assets;
- Validated the mathematical accuracy and integrity of the model and agreed the net book value of assets and liabilities into Capricorn's books and records;
- Agreed the cash balances in the group to the underlying confirmations of cash for the in scope subsidiaries; and
- Evaluated the disclosure in the financial statements.

Based on the procedure, we concluded that the valuation of investments in subsidiaries is appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's activities are managed centrally from the Group's Head Office in Edinburgh. We have included components which accounted for the largest share of the Group's results or where we considered there to be areas of significant risk. We identified 4 components which, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. The work in the remaining 4 components was determined by their individual contribution to the Group's overall financial performance or balance sheet, and their risk profile. All components were audited by the Group engagement team in the UK.

The impact of climate risk on our audit

Our audit considered the impact of climate change. As part of our audit, we made enquiries with management to understand the process adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and to support the disclosures made in the Sustainability Review in the Strategic Report. We also read the Group's governance process in response to climate risk.

Using our knowledge of the business, we focused our work on how the impact of climate commitments made by the Group would impact the assumptions within the discounted cash flows prepared by management that are used in the Group's goodwill and producing asset impairment tests. We challenged the completeness of management's climate impact assessment by reading the external reporting made by management as well as internal climate plans and Board minutes.

We also considered the completeness of the impact on financial statement line items by comparing management's assessment of the impact of climate risk, including the potential impact on the underlying assumptions and estimates as outlined in the basis of preparation in note 1.1 of the Notes to the Group financial statements.

Finally, we assessed the consistency of the information in the front half of the Annual Report regarding the Task Force on Climate-Related Financial Disclosures (TCFD) and the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	US\$6,675,000 (2022: US\$15,300,000).	US\$4,178,000 (2022: US\$12,500,000).
How we determined it	1% of Total Assets	1% of Total Assets
Rationale for benchmark applied	We believe that total assets is an appropriate measure that reflects the size of the Group's operations.	The company's purpose is to hold investments in the subsidiaries of the group. The company has limited income statement transactions, therefore the appropriate benchmark for assessing materiality is total assets.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was \$137,400 – \$6,050,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to \$5,006,000 (2022: US\$11,475,000) for the group financial statements and \$3,133,0000 (2022: US\$9,375,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$333,750 (group audit) (2022: US\$765,000) and \$208,000 (company audit) (2022: US\$625,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and evaluating management's going concern assessment, base case forecasts and downside scenarios, and comparing the forecasts to approved budgets;
- Considering the historical reliability of management's cash flow forecasting;
- Assessing key inputs into the models, including operational and head office cost assumptions, commodity prices, production forecasts, forecast distributions and payment profiles, comparing these to the inputs used in other key accounting estimates in the financial statements or other sources of evidence;
- Assessing the mitigating actions identified by management in downside scenarios and corroborating these to internal and external sources of evidence;
- Obtaining and confirming the opening cash balances;
- Assessing management's consideration of the terms and conditions of group's debt facility relating to its assets in Egypt, including the non-recourse nature of the debt to the parent company and the Capricorn group outside of Egypt, and the impact of cross guarantee clauses contained within the Group's debt facility and as well as in relation to the contingent consideration due on the purchase of the assets in Egypt;
- Assessing management's severe but plausible downside scenario to understand the impact of changes in cash flow on the resources available to the group;
- Assessing the mathematical accuracy of management's model; and
- Evaluating the disclosures in relation to management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with oil and gas laws and regulations in Egypt and other oil and gas regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on judgements and on the assumptions made in their significant accounting estimates;
- Identifying and testing journal entries, including any journal entries representing unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 23 May 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2013 to 31 December 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Bruce Collins (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2024

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$m	2022 (restated) \$m
Continuing operations			
Revenue	2.1	201.0	229.6
Other income	2.1	54.1	54.8
Cost of sales	2.1	(59.6)	(71.2)
Depletion charge	2.3	(120.4)	(131.3)
Gross profit		75.1	81.9
Pre-award costs	4.2	(1.1)	(9.2)
General exploration costs		(26.9)	(48.7)
Unsuccessful exploration well costs	2.2	(20.5)	(57.8)
Impairment of property, plant & equipment – development/producing assets	2.3	(29.1)	(42.6)
Impairment of goodwill	2.4	(14.6)	–
Expected credit loss adjustment on revenue receivable	3.5	(9.0)	–
Other operating income		0.6	5.8
Administrative and other expenses	4.3	(61.9)	(65.0)
Operating loss		(87.4)	(135.6)
Fair value loss – deferred consideration on business combination	3.6	(8.0)	(12.7)
Gain on financial assets at fair value through profit or loss		0.8	2.3
Impairment of an asset held-for-sale	3.10	(4.0)	–
Finance income	4.5	21.8	15.7
Finance costs	4.6	(25.3)	(18.2)
Loss before tax from continuing operations		(102.1)	(148.5)
Taxation			
Tax charge	5.2	(40.5)	(27.9)
Loss from continuing operations		(142.6)	(176.4)
(Loss)/Profit from discontinued operations	6.1	(1.4)	109.3
Loss for the year attributable to equity holders of the Parent		(144.0)	(67.1)
Loss per share for loss from continuing operations:			
Loss per ordinary share – basic and diluted (\$)	4.7	(0.74)	(0.49)
Loss per share for loss attributable to equity holders of the Parent:			
Loss per ordinary share – basic and diluted (\$)	4.7	(0.75)	(0.19)

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 \$m	2022 (restated) \$m
Loss for the year attributable to equity holders of the Parent	(144.0)	(67.1)
Other Comprehensive Income/(Expense) – items that may be recycled to the Income Statement		
Currency translation differences	5.1	(16.7)
Other Comprehensive Income/(Expense) for the year	5.1	(16.7)
Total Comprehensive Expense for the year attributable to equity holders of the Parent	(138.9)	(83.8)
Total Comprehensive (Expense)/Income from:		
Continuing operations	(137.5)	(193.1)
Discontinued operations	(1.4)	109.3
	(138.9)	(83.8)

GROUP BALANCE SHEET AS AT 31 DECEMBER 2023

	Note	2023 \$m	2022 (restated) \$m
Non-current assets			
Intangible exploration/appraisal assets	2.2	2.5	1.0
Property, plant & equipment – development/producing assets	2.3	217.6	275.8
Goodwill	2.4	10.8	25.4
Other property, plant & equipment and intangible assets	2.5	14.5	14.1
Other long-term receivables	2.6	27.6	–
Financial assets at fair value through profit or loss	3.6	–	96.2
Deferred tax asset	5.3	7.6	8.7
		280.6	421.2
Current assets			
Cash and cash equivalents	3.1	189.5	756.8
Inventory	3.4	8.3	8.1
Trade and other receivables	3.5	186.0	142.5
Financial assets at fair value through profit or loss	3.6	–	134.4
		383.8	1,041.8
Asset held-for-sale	3.10	3.2	–
Total assets		667.6	1,463.0
Current liabilities			
Loans and borrowings	3.2	15.4	25.4
Lease liabilities	3.3	1.0	1.9
Deferred consideration on business combinations	3.6	25.0	25.0
Trade and other payables	3.7	82.0	84.9
		123.4	137.2
Non-current liabilities			
Loans and borrowings	3.2	96.4	133.2
Lease liabilities	3.3	6.4	2.4
Provisions – well abandonment		5.5	3.4
Deferred consideration on business combinations	3.6	19.8	36.8
Deferred tax liabilities	5.3	9.6	28.4
		137.7	204.2
Total liabilities		261.1	341.4
Net assets		406.5	1,121.6
Equity attributable to equity holders of the Parent			
Called-up share capital	7.1	7.6	8.0
Share premium	7.1	0.8	495.4
Shares held by ESOP/SIP Trusts	7.1a,b	(6.3)	(15.3)
Foreign currency translation	7.1c	(85.7)	(90.8)
Merger and capital reserves	7.1d	45.9	45.5
Retained earnings		444.2	678.8
Total equity		406.5	1,121.6

The Financial Statements on pages 122 to 165 were approved by the Board of Directors on 28 March 2024 and signed on its behalf by:



Randy Neely
Chief Executive

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$m	2022 (restated) \$m
Cash flows from operating activities:			
Loss before tax from continuing operations		(102.1)	(148.5)
(Loss)/Profit before tax from discontinued operations	6.1	(5.5)	113.4
Loss before tax including discontinued operations		(107.6)	(35.1)
Adjustments for non-cash income and expense and non-operating cash flows:			
Other income – tax entitlement volumes		(54.1)	(54.8)
Unsuccessful exploration well costs		20.5	57.8
Depreciation, depletion and amortisation		127.1	137.1
Impairment of goodwill		14.6	–
Impairment of property, plant & equipment – development/producing assets		29.1	42.6
Expected credit loss adjustment on revenue receivable		9.0	–
Share-based payments charge		2.5	10.5
Fair value loss – deferred consideration on business combination		8.0	12.7
Gain on financial assets at fair value through profit or loss – continuing operations		(0.8)	(2.3)
Loss/(Gain) on financial assets at fair value through profit or loss – discontinued operations		10.4	(110.4)
Impairment of an asset held-for-sale		4.0	–
Loss on disposal of a financial asset – discontinued operations		1.7	–
Finance income		(21.8)	(15.7)
Finance costs		25.3	18.2
Adjustments to operating cash flows for movements in current assets and liabilities:			
Inventory movement		(0.2)	2.7
Trade and other receivables movement	3.5	(69.0)	(38.7)
Trade and other payables movement	3.7	(38.6)	(9.8)
Net cash flows (used in)/from operating activities		(39.9)	14.8
Cash flows from investing activities:			
Exceptional income – India tax refund		–	1,056.0
Expenditure on intangible exploration/appraisal assets		(16.4)	(46.2)
Expenditure on property, plant & equipment – development/producing assets		(44.2)	(62.2)
Expenditure on other property, plant & equipment and intangible assets		(0.3)	(11.7)
Deferred consideration received – discontinued operations		182.4	75.7
Consideration paid for assets acquired through business combination		–	(3.2)
Deferred consideration paid on business combination		(25.0)	(20.9)
Proceeds on disposal of financial assets		–	12.8
Tax paid on investing activities		–	(0.2)
Interest received and other finance income		24.3	12.5
Net cash flows from investing activities		120.8	1,012.6
Cash flows from financing activities:			
Repayment of borrowings	3.2	(48.3)	(21.5)
Lease payments	3.3	(2.2)	(2.5)
Dividends paid	7.2	(542.1)	–
Share repurchase	7.2	(18.9)	(528.6)
Other interest and charges		(16.0)	(11.7)
Proceeds from issue of shares		0.8	4.5
Cost of shares purchased	7.1a	(19.5)	(19.8)
Net cash flows used in financing activities		(646.2)	(579.6)
Net (decrease)/increase in cash and cash equivalents		(565.3)	447.8
Opening cash and cash equivalents at beginning of year		756.8	314.1
Foreign exchange differences		(2.0)	(5.1)
Closing cash and cash equivalents	3.1	189.5	756.8

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Equity share capital and share premium \$m	Shares held by ESOP/SIP Trusts \$m	Foreign currency translation \$m	Merger and capital reserves \$m	Retained earnings (restated) \$m	Total equity (restated) \$m
At 1 January 2022	503.5	(17.5)	(74.1)	40.9	1,345.8	1,798.6
Restatement	-	-	-	-	(76.9)	(76.9)
At 1 January 2022 – restated	503.5	(17.5)	(74.1)	40.9	1,268.9	1,721.7
Loss for the year	-	-	-	-	(67.1)	(67.1)
Currency translation differences	-	-	(16.7)	-	-	(16.7)
Total comprehensive expense	-	-	(16.7)	-	(67.1)	(83.8)
Share-based payments	-	-	-	-	10.5	10.5
Exercise of employee share options	4.5	-	-	-	-	4.5
Share repurchase	(4.6)	-	-	4.6	(511.5)	(511.5)
Cost of shares purchased	-	(19.8)	-	-	-	(19.8)
Cost of shares vesting	-	22.0	-	-	(22.0)	-
At 31 December 2022	503.4	(15.3)	(90.8)	45.5	678.8	1,121.6
Loss for the year	-	-	-	-	(144.0)	(144.0)
Currency translation differences	-	-	5.1	-	-	5.1
Total comprehensive income/(expense)	-	-	5.1	-	(144.0)	(138.9)
Dividends paid	-	-	-	-	(541.1)	(541.1)
Share repurchase	(0.4)	-	-	0.4	(18.9)	(18.9)
Share-based payments	-	-	-	-	2.5	2.5
Exercise of employee share options	0.8	-	-	-	-	0.8
Share premium cancelled	(495.4)	-	-	-	495.4	-
Cost of shares purchased	-	(19.5)	-	-	-	(19.5)
Cost of shares vesting	-	28.5	-	-	(28.5)	-
At 31 December 2023	8.4	(6.3)	(85.7)	45.9	444.2	406.5

SECTION 1 – BASIS OF PREPARATION

This section includes the Group's general accounting policies applicable across the Financial Statements. Accounting policies specific to individual notes to the accounts are embedded in the notes themselves. During the year, Capricorn changed its accounting policy relating to intangible exploration/appraisal assets to a full successful efforts methodology.

1.1 Accounting Policies

a) Basis of preparation

The consolidated Financial Statements of Capricorn Energy PLC ('Capricorn' or 'the Group') for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 28 March 2024. Capricorn is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The registered office is located at 50 Lothian Road, Edinburgh, Scotland, EH3 9BY. The registered company number is SC226712.

Capricorn prepares its Financial Statements on a historical cost basis, unless accounting standards require an alternate measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed either in the relevant accounting policy or in the notes to the Financial Statements. The Financial Statements comply with the Companies Act 2006 as applicable to companies using UK-adopted International Financial Reporting Standards ('IFRS').

During the current period, the Company changed its accounting policy for intangible exploration/appraisal assets as detailed in note 1.3. Comparative information has been restated to reflect this change in policy. All other accounting policies have been applied consistently across all periods disclosed.

The Group's Financial Statements are prepared on a going concern basis.

b) Accounting standards

The Financial Statements of Capricorn has been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. During the year, no new standards or amendments to standards were adopted that had a material impact on Capricorn's results or Financial Statement disclosures.

There are no new standards or amendments issued by the IASB and endorsed under the Companies Act, which have yet to be adopted by the Group that will materially impact the Group's Financial Statements.

c) Basis of consolidation

The consolidated Financial Statements include the results of Capricorn Energy PLC and its subsidiary undertakings to the balance sheet date. Where subsidiaries follow differing accounting policies from those of the Group, those accounting policies have been adjusted to align with those of the Group. Intercompany balances and transactions between Group companies are eliminated on consolidation, though foreign exchange differences arising on intercompany balances between subsidiaries with differing functional currencies are not offset.

The results of subsidiaries acquired or incorporated in any year are included in the Income Statement and Statement of Cash Flows from the effective date of acquisition, while the results of subsidiaries disposed of or liquidated during the year are included in the Income Statement and Statement of Cash Flows to the date at which control passes from the Group.

d) Joint arrangements

Capricorn is a Partner (joint operator) in oil and gas exploration, development and production licences which are unincorporated joint arrangements. All of the Group's current interests in these arrangements are determined to be joint operations. A full list of oil and gas licence interests can be found on page 175.

Costs relating to an interest in a joint operation incurred on non-well specific exploration activities or costs directly associated with the production of hydrocarbons are charged immediately to the Income Statement. Costs relating to exploration wells are capitalised in accordance with the Group's revised accounting policy for intangible exploration/appraisal assets (note 2.2) pending determination of the success of the well. All costs associated with development activities for oil and gas assets are capitalised in property, plant & equipment – development/producing assets (note 2.3). All costs capitalised in either exploration/appraisal or development/producing assets relate to interests in joint operations.

Capricorn's working capital balances relating to joint operations are included in trade and other receivables (note 3.5) and trade and other payables (note 3.7). Any share of finance income or costs generated or incurred by the joint operation is included within the appropriate income statement account.

SECTION 1 – BASIS OF PREPARATION CONTINUED

1.1 Accounting Policies continued

e) Foreign currencies

These Financial Statements continue to be presented in US dollars (\$), the functional currency of the Parent.

In the Financial Statements of individual Group companies, Capricorn translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date (or an approximation thereof where not materially different). Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset, though there were none in either the current or preceding year.

The Group maintains the Financial Statements of the Parent and subsidiary undertakings in their functional currency. Where applicable, the Group translates subsidiary Financial Statements into the presentation currency, \$, using the closing rate method for assets and liabilities, which are translated at the rate of exchange prevailing at the balance sheet date and rates at the date of transactions for income statement accounts. Capricorn takes exchange differences arising on the translation of net assets of Group companies whose functional currency is non-\$ directly to the foreign currency translation reserve within equity.

Rates of exchange to \$1 were as follows:

	Closing 2023	YTD Average 2023	Closing 2022	YTD Average 2022
GBP	0.785	0.804	0.827	0.808

f) Exceptional items

Where items have a significant impact on profit or loss, occur infrequently and are not part of the Group's normal operating cycle, such items may be disclosed as exceptional items on the face of the Income Statement.

1.2 Going concern

The Directors have considered the factors relevant to support a statement of going concern. In assessing whether the going concern assumption is appropriate, the Board considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors. Along with base-case assumptions, a downside scenario run includes a return to lower oil prices, with a 10% reduction to the forward curve over 2024 and an oil price of \$60 per bbl from 2025 onward, a 10% reduction in forecast production and further delays in settlement of Egypt trade receivables. An oil-price crash scenario assumes a fall in the oil price to \$40 per bbl in Q1 2024 with a recovery of \$65 per bbl by the end of 2024. Under both scenarios the Group has sufficient cash headroom to continue to operate as a going concern. All scenarios assume a return of \$50m to shareholders in 2024.

As the Directors will not commit to investing further funds into the Egypt business, separate cash flow forecasts have been run for Capricorn Egypt Limited, the Egypt asset-holding subsidiary and the remaining Capricorn Energy PLC Group. Capricorn Egypt is a party to the Junior and Senior borrowing facilities entered in connection with the Group's Egypt assets, however these facilities are non-recourse to the rest of the Capricorn Group.

Under all scenarios run, the Capricorn Group would continue to operate as a going concern with sufficient cash balances, allowing the Group to meet its current and contracted commitments outside Egypt as and when they fall due for a period of at least 12 months from the date of signing these Financial Statements.

In addition, Capricorn Egypt Limited is forecast to have sufficient resources to meet its contractual obligations as they fall due across all three scenarios, though headroom is limited at certain points across the going concern period. If any unforeseen changes in assumptions were to adversely impact the subsidiary, and with no further injection of funds from the parent, it may not be able to meet all debt repayments that fall due in the period which could result in lenders taking control of the assets. While the assets would then be heavily impaired to expected recoverable amounts, the remaining Capricorn Energy PLC Group would be unaffected and would continue as a going concern.

Further, under the terms of the borrowing facilities, Capricorn Egypt Limited jointly and severally guarantee the performance of the obligations of the joint venture counterparty. Should the counterparty fail to meet its repayment obligations, the lender could enforce this guarantee, though other routes to recovery would be more likely. Though considered remote, a default by the counterparty could also result in the lenders assuming control of the Egypt subsidiary to recover amounts due. Again, the remaining Capricorn Energy PLC Group would be unaffected and would continue as a going concern.

The Board and Audit Committee assessments of risk and mitigants to the Group's operational existence beyond this 12-month period is included in the Viability Statement on page 41.

SECTION 1 – BASIS OF PREPARATION CONTINUED

1.3 Restatement of Comparative Information

Accounting Policy Change

A change in policy from a successful efforts-based accounting policy to a pure successful efforts accounting policy for oil and gas assets has been adopted from 1 January 2023, with retrospective application. Under the revised policy, all non-well specific exploration costs, previously capitalised within exploration assets, are now charged directly to the Income Statement as incurred. The Directors believe that the revised policy gives a clearer understanding of the performance of the Group in any given period as the new policy is more closely aligned to the general capitalisation requirement of the IFRS framework, by only capitalising costs associated within exploration assets that directly relate to commercial discoveries of hydrocarbons. In addition, costs associated with Near Field Exploitation (NFE) wells, which are appraisal wells within the existing development areas, are now capitalised immediately within development/producing assets, given that, if successful they start producing immediately. The Directors believe these changes will provide more reliable and relevant information on the Group's financial performance in a period and more importantly the value of exploration assets held at the balance sheet date.

The result of the change in accounting policy is that going forward, only costs of commercially successful exploration wells in Egypt projects are expected to be capitalised within exploration assets given the change in the Group's future strategy to focus on maximising value from these assets. The policy change has been applied retrospectively and restatement of the intangible exploration/appraisal assets, Income Statement, Balance Sheet, and Statement of Cash Flows including the comparative periods is presented in the tables that follow.

A reconciliation of the change to intangible exploration/appraisal assets is as follows:

	Intangible Exploration/ Appraisal assets old policy \$m	Accounting policy change \$m	Intangible Exploration/ Appraisal assets new policy \$m
Cost			
At 1 January 2022	1179	(88.5)	29.4
Additions	90.4	(53.0)	37.4
Unsuccessful exploration costs	(113.1)	47.3	(65.8)
At 31 December 2022	95.2	(94.2)	1.0
Additions	57.1	(35.1)	22.0
Unsuccessful exploration costs	(109.3)	88.8	(20.5)
At 31 December 2023	43.0	(40.5)	2.5
Impairment			
At 1 January 2022	19.6	(11.6)	8.0
Unsuccessful exploration costs	(19.6)	11.6	(8.0)
At 31 December 2022 and 31 December 2023	-	-	-
Net book value			
At 31 December 2021	98.3	(76.9)	21.4
At 31 December 2022	95.2	(94.2)	1.0
At 31 December 2023	43.0	(40.5)	2.5

Of the \$40.5m accounting policy adjustment \$28.0m relates to the expensing of general exploration costs relating to Mauritania, Suriname and in the UK as well as non-well costs in Egypt in the current and prior years. The remaining \$12.5m is due to the reallocation of NFE costs into development/producing assets.

Prior Year Restatement

At 31 December 2022, Capricorn reversed accruals of \$29.2m relating to opening balances recognised on acquisition of the Group's Egypt development/producing assets. The seller had provided insufficient information to allow the reconciliation of opening balances to subsequent costs and the operator had declined to perform such an exercise. With no supporting evidence to continue to accrue these opening costs, the amounts were reversed as a cost adjustment against property, plant & equipment – development/producing assets.

Early in 2024 and in light of concerns that accounts payable balances may be understated, Capricorn were able to access the underlying accounting records of Bapetco who maintain the gross accounting records of the joint operations on behalf of the operator. The subsequent reconciliations performed by Capricorn of those Bapetco gross numbers to the working interest working capital balances recorded in Capricorn's accounting records, identified an under accrual equivalent to the amounts reversed through the opening balance cost adjustment processed in 2022.

The 2022 adjustment has therefore been reversed resulting in an increase to the prior year carrying value of property, plant & equipment – development/producing assets and an increase in working capital balances relating to joint operations equal to the \$29.2m. The increase in the carrying value of assets had a subsequent impact on the 2022 depletion charge for the prior year and the related deferred tax credit, though there was no material impact on the prior year impairment charge, which remains unchanged.

SECTION 1 – BASIS OF PREPARATION CONTINUED

1.3 Restatement of Comparative Information continued**1.3.1 Group Income Statement Accounting Policy Change and Prior Year Restatement****For the year ended 31 December 2023:**

Income Statement (extract)	Note	Year ended 31 December 2023 \$m	Accounting policy change \$m	Year ended 31 December 2023 (restated) \$m
Continuing operations				
General exploration costs		–	(26.9)	(26.9)
Unsuccessful exploration well costs	2.2	(109.3)	88.8	(20.5)
Impairment of property, plant & equipment – development/producing assets	2.3	(25.0)	(4.1)	(29.1)
Impairment of goodwill	2.4	(11.7)	(2.9)	(14.6)
Operating loss		(142.3)	54.9	(87.4)
Loss before taxation from continuing operations				
Tax charge	5.2	(33.8)	(6.7)	(40.5)
Loss from continuing operations		(190.8)	48.2	(142.6)

Both basic and diluted earnings per share increased by \$0.25 per share for the period ended 31 December 2023.

For the year ended 31 December 2022:

Income Statement (extract)	Note	Year ended 31 December 2022 As originally presented \$m	Accounting policy change \$m	Prior Year Restatement \$m	Year ended 31 December 2022 (restated) \$m
Continuing operations					
Depletion charge		(124.1)	–	(7.2)	(131.3)
Gross Profit		89.1	–	(7.2)	81.9
General exploration costs		–	(48.7)	–	(48.7)
Unsuccessful exploration well costs	2.2	(93.5)	35.7	–	(57.8)
Operating loss		(115.4)	(13.0)	(7.2)	(135.6)
Loss before taxation from continuing operations					
Tax charge	5.2	(32.0)	1.3	2.8	(27.9)
Loss from continuing operations		(160.3)	(11.7)	(4.4)	(176.4)

Both basic and diluted earnings per share decreased by \$0.03 per share for the year ended 31 December 2022.

SECTION 1 – BASIS OF PREPARATION CONTINUED

1.3 Restatement of Comparative Information continued

1.3.2 Group Balance Sheet Accounting Policy and Prior Year Restatement

As at 31 December 2023:

Balance Sheet (extract)	Note	At 31 December 2023 \$m	Accounting policy change \$m	At 31 December 2023 (restated) \$m
Non-current assets				
Intangible exploration/appraisal assets	2.2	43.0	(40.5)	2.5
Property, plant & equipment – development/producing assets	2.3	209.2	8.4	217.6
Goodwill	2.4	13.7	(2.9)	10.8
Deferred tax asset	5.3	9.3	(1.7)	7.6
		275.2	(36.7)	238.5
Non-current liabilities				
Deferred tax liabilities	5.3	(5.9)	(3.7)	(9.6)
		446.9	(40.4)	406.5
Equity				
Retained earnings		484.6	(40.4)	444.2
		446.9	(40.4)	406.5

As at 31 December 2022:

Balance Sheet (extract)	Note	At 31 December 2022 As originally presented \$m	Accounting policy change \$m	Prior Year Restatement \$m	At 31 December 2022 (restated) \$m
Non-current assets					
Intangible exploration/appraisal assets	2.2	95.2	(94.2)	–	1.0
Property, plant & equipment – development/producing assets		249.5	4.3	22.0	275.8
Deferred tax assets	5.3	7.1	0.5	1.1	8.7
		351.8	(89.4)	23.1	285.5
Current liabilities					
Trade and other payables	3.7	(55.7)	–	(29.2)	(84.9)
Non-current liabilities					
Deferred tax liabilities	5.3	(30.9)	0.8	1.7	(28.4)
		(86.6)	0.8	(27.5)	(113.3)
Net assets		1,214.6	(88.6)	(4.4)	1,121.6
Equity					
Retained earnings		771.8	(88.6)	(4.4)	678.8
Total equity		1,214.6	(88.6)	(4.4)	1,121.6

SECTION 1 – BASIS OF PREPARATION CONTINUED

1.3 Restatement of Comparative Information continued

1.3.3 Group Statement of Cash Flows Accounting Policy Change and Prior Year Restatement

For the year ended 31 December 2023:

Statement of Cash Flows (extract)	Year ended 31 December 2023 \$m	Accounting policy change \$m	Year ended 31 December 2023 (restated) \$m
Cash flows from operating activities:			
Loss before taxation from continuing operations	(157.0)	54.9	(102.1)
Adjustments for non-cash income and expense and non-operating cash flows:			
Impairment of property, plant & equipment – development/producing assets	25.0	4.1	29.1
Impairment of goodwill	11.7	2.9	14.6
Unsuccessful exploration costs	109.3	(88.8)	20.5
Net cash flows used in operating activities	(13.0)	(26.9)	(39.9)
Cash flows from investing activities:			
Expenditure in intangible exploration/appraisal assets	(43.3)	26.9	(16.4)
Net cash flows from investing activities	93.9	26.9	120.8
Net decrease in cash and cash equivalent	(565.3)	–	(565.3)

For the year ended 31 December 2022:

Statement of Cash Flows (extract)	Year ended 31 December 2022 As originally presented \$m	Accounting policy change \$m	Prior Year Restatement \$m	Year ended 31 December 2022 (restated) \$m
Cash flows from operating activities:				
Loss before taxation from continuing operations	(128.3)	(13.0)	(7.2)	(148.5)
Adjustments for non-cash income and expense and non-operating cash flows:				
Depreciation, depletion and amortisation	129.9	–	7.2	137.1
Unsuccessful exploration costs	93.5	(35.7)	–	57.8
Net cash flows from operating activities	63.5	(48.7)	–	14.8
Cash flows from investing activities:				
Expenditure in intangible exploration/appraisal assets	(94.9)	48.7	–	(46.2)
Net cash flows used in investing activities	963.9	48.7	–	1,012.6
Net increase in cash and cash equivalent	447.8	–	–	447.8

The prior year restatement of property, plant & equipment – development/producing assets and related working capital has no impact on the cash flow statement.

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS

This section contains details of Capricorn's oil and gas assets, including the gross profit generated from operations in Egypt, exploration costs capitalised at the year-end and development/producing assets and associated impairment tests performed.

Key estimates and assumptions in this section:

Estimation of hydrocarbon reserves and long-term oil price assumption

Capricorn's estimates of oil and gas reserves are reviewed as part of the full-year reporting process and updated accordingly. An independent evaluation of Capricorn's reserves and resources was conducted by GLJ Ltd (GLJ) with an effective date of December 31st 2023, in accordance with standards and procedures defined in the PRMS (2018) guidelines. The process for 2023 differed to previous years with an independent audit forming the basis of the reserves position, previously the company reported its internally generated estimates. GLJ's independent reserve evaluation was conducted based on data and materials disclosed by the company. Capricorn's Reserves and Resources Reporting Committee, which provides oversight, advice and guidance while providing senior level review, reports to the Group's Audit Committee before ultimately requesting approval of annual reserves volumes by the Board.

In addition to the GLJ audit an additional third-party audit of Capricorn's reserves and resources estimates is conducted annually by the operator for use in banking facility models. Historically, the reserves estimates of the third-party auditor appointed by the joint venture are higher than Capricorn's internal estimates, largely due to different assumptions on the number and timing of future development wells and the inclusion by the auditor of reserves that Capricorn classifies as contingent resources pending approval of a field development plan. The independent reserves estimates, produced by GLJ, solely for Capricorn, are largely aligned with Capricorn's internal estimates on an overall 2P basis.

Reserves estimates are based on assumptions concerning future capital expenditure on each of the concessions. Capricorn has currently suspended further capital expenditure in Egypt until a payment plan has been agreed with EGPC, and the reserves assumptions assume no further activity until mid-year 2024. This cessation of drilling activity contributes to an undeveloped reserves downgrade at the year-end as a consequence of delayed activity being beyond the PRMS guidelines of a development window of 5 years. In the reserves estimates a resumption of new well drilling is assumed from July 2024. A delay to the recommencement of drilling activity could lead to further downgrades of reserves. Using this approach to reserves estimations is Capricorn's best estimate of what assumptions a market participant would use to value the assets.

Capricorn's long-term oil price assumption remains at \$65/bbl flat and the Group's short-term assumption remains linked to the forward curve over a two-year period. Discount rates have increased to 15% reflecting a move to an asset-specific discount rate now the focus of the Group has moved from an international exploration portfolio to core country-specific producing assets.

Estimation of fair value of assets for use in impairment tests

The fair value less cost of disposal of property, plant & equipment – development/producing assets in Egypt, which is not materially different from value in use, is used in the Group's impairment tests and has been measured using the net present value of discounted future cash flows over the commercial field life of each concession.

The key assumptions used in the Group's discounted cash flow models reflect past experience and take account of external factors. These assumptions include:

- a resumption in development drilling in H2 2024, assuming payment plan agreed with EGPC;
- short/medium-term oil price based on a six-month average forward curve for two years from the balance sheet date;
- long-term oil price of \$65/bbl (2022: \$60/bbl) flat;
- Egypt price differentials to base oil prices;
- third-party proved and probable reserves estimates and production profiles;
- timing of collection of revenues assumed to be six months from date of production;
- cost profiles for future costs escalated at 4.0% per annum (2022: 4.0% per annum);
- carbon prices based on WEO-2023 Net Zero Emissions by 2050 Scenario; and
- post-tax discount rates of 15% (2022: 10%).

Climate change assumptions

Capricorn's cost of carbon assumptions are included in the fair value models used to attribute value to the assets. Those models will also determine the useful life-of-field assumptions for each producing asset and increasing costs of carbon could result in reduced commercial reserve volumes. Sensitivities performed on alternate carbon cost assumptions did not have a significant impact on the fair values of the assets in Egypt.

Capricorn's models have no residual value attributed to producing assets as at the end of the economic field life title passes to the Egyptian Government. There are therefore no decommissioning assets or liabilities to record. There are currently no assets that have been identified as at risk of becoming stranded.

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS CONTINUED

2.1 Gross Profit: Revenue and Cost of Sales

Accounting policies

Revenue

Revenue from oil sales represents the Group's share of sales from its producing interests in Egypt, at the point in time when ownership of the oil has passed to the buyer. On domestic sales, the point of sale is determined to be the point when oil is delivered to communal storage tanks in onshore facilities. Sales relating to the export of oil are recognised once the cargo is fully loaded onto a crude tanker and the necessary export documentation received. Revenue is measured using the monthly average Brent oil price, plus or minus the applicable price differential premium or discount to reach the Official Selling Price and is recorded at fair value, including estimates to reduce revenue to the Group's expected entitlement share of sales volumes.

Revenue from the sale of gas in Egypt is recorded based on the volume of gas accepted each day by customers at the delivery point.

Revenue from royalties is calculated on production from fields in Mongolia.

Other income – tax entitlement volumes

Under the concession agreements in Egypt, income tax due on taxable profit is paid on Capricorn's behalf by EGPC. To achieve this through the agreements, Capricorn notionally receive a greater share of hydrocarbon production in excess of the Group's entitlement interest share of production equal to the amount required to cover the tax payable. The oil is produced and sold on Capricorn's behalf and proceeds remitted to the tax authorities. This income does not meet the IFRS definition of revenue and is therefore shown as other income with an equal and opposite tax charge recorded through current taxation.

Cost of sales and inventory

Cost of sales include Capricorn's share of costs incurred by the joint operation in extracting oil and gas. Also included are marketing and transportation costs and loss-of-production insurance costs payable over the year.

Oil inventory is measured at market value in accordance with established industry practice.

	Year ended 31 December 2023 \$m	Year ended 31 December (restated) 2022 \$m
Oil sales	159.1	181.4
Gas sales	40.8	47.5
Revenue from oil and gas sales	199.9	228.9
Royalty income	1.1	0.7
Total revenue	201.0	229.6
Other income – tax entitlement volumes	54.1	54.8
Other income	54.1	54.8
Production costs and inventory movements	(59.6)	(71.2)
Cost of sales	(59.6)	(71.2)
Depletion (note 2.3)	(120.4)	(131.3)
Gross profit	75.1	81.9

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS CONTINUED

2.1 Gross Profit: Revenue and Cost of Sales continued

Revenue

Capricorn receives oil and gas revenue from eight producing concessions in Egypt, based on an entitlement interest. Payment terms are within 30 days from the date of the invoice for oil sales and 45 days from the date of the invoice for gas sales.

Oil and gas revenue in Egypt for the year ended 31 December 2023 was \$199.9m (2022: \$228.9m), from net entitlement production of 4.4 mmbœ (2022: 4.7 mmbœ) of which ~45% (2022: ~39%) was liquids. Oil sales averaged \$81.2/bœ (2022: \$98.8/bœ) and with gas sales fixed at \$2.9/mcf (2022: \$2.9/mcf). Other income represents tax paid on Capricorn's behalf by EGPC – see section 5.

Production costs over the period were \$59.6m (2022: \$71.2m), or \$5.4/bœ (2022: \$5.7/bœ) (on a working interest ("WI") basis).

2.2 Intangible Exploration/Appraisal Assets

Capricorn follows a full successful efforts accounting policy for oil and gas assets, following the change in accounting policy (note 1.3).

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement as pre-award costs.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, undepleted, within intangible exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered and a field development plan approved.

Non-well specific exploration expenditure incurred in the process of determining oil and gas exploration targets is charged directly to the Income Statement in the period it is incurred.

Exploration/appraisal drilling costs directly relating to an exploration well are capitalised until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial and work to confirm the commercial viability of such hydrocarbons is intended to be carried out in the foreseeable future. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated and approved in a field development plan, then the related capitalised intangible exploration/appraisal costs are transferred into a single field cost centre within property, plant & equipment – development/producing assets, after testing for impairment.

Proceeds from the disposal or farm-down of part or all of an exploration/appraisal asset are credited initially to that interest with any excess being credited to the Income Statement.

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS CONTINUED

2.2 Intangible Exploration/Appraisal Assets continued

	Egypt (restated) \$m	Mexico (restated) \$m	UK (restated) \$m	Total (restated) \$m
Cost				
At 1 January 2022	–	25.2	4.2	29.4
Additions	–	1.2	36.2	37.4
Unsuccessful exploration costs	–	(25.4)	(40.4)	(65.8)
At 31 December 2022	–	1.0	–	1.0
Additions	5.1	15.0	1.9	22.0
Unsuccessful exploration costs	(2.6)	(16.0)	(1.9)	(20.5)
At 31 December 2023	2.5	–	–	2.5
Impairment				
At 1 January 2022	–	8.0	–	8.0
Unsuccessful exploration costs	–	(8.0)	–	(8.0)
At 31 December 2022 and 31 December 2023	–	–	–	–
Net book value				
At 31 December 2021	–	17.2	4.2	21.4
At 31 December 2022	–	1.0	–	1.0
At 31 December 2023	2.5	–	–	2.5

A change in policy from a successful efforts-based accounting policy to a pure successful efforts accounting policy for oil and gas assets has been adopted from 1 January 2023. As a result of the accounting policy change, the figures for 2022 period have been restated. For more details, see note 1.3.

Additions to intangible exploration/appraisal assets were funded through cash and working capital, including increased provisions for well abandonment costs.

Egypt

Additions in Egypt of \$5.1m relate to direct costs on future exploration wells in the South-East Horus concession area. Additions and unsuccessful efforts of \$2.6m relates to drilling costs of unsuccessful wells in SAS concession area.

Mexico

In Mexico additions for the year of \$15.0m relate to Block 7 drilling costs, where the Yatzil well completed in 2023 and was unsuccessful. The total drilling costs of \$16.0m were recognised as unsuccessful exploration costs in 2023.

UK

Additions of \$1.9m relate to costs incurred of \$0.2m and an increase of \$1.7m in relation to further estimated Tybalt well abandonment costs. Prior year additions and unsuccessful exploration costs relate to the Jaws and Diadem wells completed in that year.

2.3 Property, Plant & Equipment – Development/Producing Assets**Accounting policy****Costs**

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated and a development plan approved are capitalised within development/producing assets on a field-by-field basis. Subsequent expenditures are capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Costs of borrowings relating to the ongoing construction of development/producing assets and facilities are capitalised during the development phase of the project. Capitalisation ceases once the asset is ready to commence production.

Net proceeds from any disposal, part disposal or farm-down of development/producing assets are credited against the appropriate portion of previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds, measured at fair value, exceed or are less than the appropriate portion of the net capitalised costs.

Depletion

Depletion is charged on a unit-of-production basis, based on proved and probable reserves on a field-by-field basis. Fields within a single development area may be combined for depletion purposes. Where production commences prior to completion of the development, costs to be depleted include the costs-to-complete of the facility required to extract the volume of reserves recorded.

Impairment

Development/producing assets are reviewed for indicators of impairment at the balance sheet date. Indicators of impairment for the Group's development assets include:

- downward revisions of reserve estimates;
- increases in cost estimates for development projects; or
- a decrease in the oil price or other negative changes in market conditions.

Impairment tests are carried out on each development/producing asset at the balance sheet date where an indicator of impairment is identified. The test compares the carrying value of an asset to its recoverable amount based on the higher of its fair value less costs of disposal or value in use. Where the fair value less costs of disposal supports the carrying value of the asset, no value-in-use calculation is performed.

If it is not possible to calculate the fair value less costs of disposal of an individual asset, the fair value less costs of disposal is calculated for the CGU containing the asset and tested against the carrying value of the assets and liabilities in the CGU for impairment. Where an asset can be tested independently for impairment, this test is performed prior to the inclusion of the asset into a CGU for further impairment tests.

If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment charge is made.

Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior years.

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS CONTINUED

2.3 Property, Plant & Equipment – Development/Producing Assets continued

	Egypt (restated) \$m
Cost	
At 1 January 2022	405.1
Additions	75.8
At 31 December 2022	480.9
Additions	91.3
At 31 December 2023	572.2
Depletion and impairment	
At 1 January 2022	31.2
Depletion charge	131.3
Impairment	42.6
At 31 December 2022	205.1
Depletion charge	120.4
Impairment	29.1
At 31 December 2023	354.6
Net book value	
At 31 December 2021	373.9
At 31 December 2022	275.8
At 31 December 2023	217.6

Egypt

Capricorn acquired its development/producing assets in Egypt through a business combination in 2021. Subsequent expenditure on development activities across the concessions totalled \$177.7m up to 2023 year-end. The 2022 other cost adjustments of \$29.2m credited to development assets has been removed as a prior year restatement. See note 1.3.

Additions have been funded through cash and working capital.

Depletion of \$120.4m (2022: \$131.3m) was charged to the Income Statement based on entitlement interest production during the year. The costs for depletion include future capital costs-to-complete consistent with the life-of-field reserve estimates used in the calculation.

Impairment review

The Group's development/producing assets in Egypt were reviewed for indicators of impairment. Impairment reviews are conducted by combining concessions into four concession areas. Indicators were identified where a pause in development drilling activity has resulted in downgrades to reserves volumes booked. Subsequent impairment tests identified an impairment of \$29.1m across the AESW and NEAG concession areas. Prior year impairment of \$42.6m across the AESW and Obaiyed concession areas resulted from poor performance from wells drilled in the period and a subsequent reserves downgrade.

Impairment sensitivity analysis is provided in note 2.8.

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS CONTINUED

2.4 Goodwill

	Egypt \$m
At 1 January 2022 and 31 December 2022	25.4
Impairment	(14.6)
At 31 December 2023	10.8

Goodwill arose on the acquisition of the Western Desert assets in Egypt in 2021. Goodwill has been tested for impairment at 31 December 2023 and an impairment of \$14.6m was recorded as a result of reserves downgrades at the year-end. Impairment sensitivity analysis is provided in note 2.8.

2.5 Other Property, Plant & Equipment and Intangible assets

	Carbon credits \$m	Intangible assets \$m	Property, plant & equipment \$m	Right-of- use assets – leasehold property \$m	Total \$m
Cost					
At 1 January 2022	–	374	10.8	9.3	575
Additions	6.8	3.9	–	3.5	14.2
At 31 December 2022	6.8	41.3	10.8	12.8	71.7
Additions	–	1.9	0.3	15.5	17.7
Disposals	–	(32.8)	(11.2)	(11.7)	(55.7)
Foreign exchange	–	1.8	0.4	0.8	3.0
At 31 December 2023	6.8	12.2	0.3	17.4	36.7
Depreciation and amortisation					
At 1 January 2022	–	35.2	10.3	6.3	51.8
Charge for the year	–	3.5	0.3	2.0	5.8
At 31 December 2022	–	38.7	10.6	8.3	57.6
Charge for the year	–	3.9	0.2	2.6	6.7
Disposals	–	(32.7)	(11.2)	(0.7)	(44.6)
Foreign exchange	–	1.7	0.4	0.4	2.5
At 31 December 2023	–	11.6	–	10.6	22.2
Net book value					
At 31 December 2021	–	2.2	0.5	3.0	5.7
At 31 December 2022	6.8	2.6	0.2	4.5	14.1
At 31 December 2023	6.8	0.6	0.3	6.8	14.5

The total additions of \$15.5m in right-of-use assets in connection to additional office lease contracts in the UK for the Edinburgh head office. One lease entered into during the year was subsequently cancelled leading to a disposal of \$9.5m. See note 3.3 for full details. Intangible assets disposals relate to historic software costs written off.

In 2022, the Group invested \$6.8m in verified carbon credits, which will be used to offset the Group's future emissions from its operations in Egypt, in order to achieve its net zero targets. For more details see TCFD Reporting, on pages 23 to 31. None of the carbon credits purchased have subsequently been retired. Amortisation of the carbon credits will commence on first retirement.

2.6 Other Long-Term receivables

	At 31 December 2023 \$m	At 31 December 2022 \$m
Other long-term receivable	7.0	–
Deferred consideration	20.6	–
	27.6	–

Under the earnout consideration settlement agreement with Waldorf, see note 6.1, Capricorn will receive Waldorf's 25% WI non-operated interest in the UK Columbus gas field, subject to NSTA approval. The settlement agreement includes provisions for a further \$7.0m payment to Capricorn should the necessary approval not be received.

Under the settlement agreement, Waldorf are due further consideration to Capricorn of \$22.5m in early January 2025. An expected credit loss adjustment of \$1.9m is deducted from the amount due.

SECTION 2 – OIL AND GAS ASSETS, OPERATIONS AND OTHER NON-CURRENT ASSETS CONTINUED

2.7 Capital Commitments

	At 31 December 2023 \$m	At 31 December (restated) 2022 \$m
Oil and gas expenditure:		
Intangible exploration/appraisal assets	7.9	28.4
Contracted for	7.9	28.4

Capital commitments represent Capricorn's share of obligations in relation to its interests in joint operations. These commitments include Capricorn's share of the capital commitments of the joint operations themselves.

The capital commitments for intangible exploration/appraisal assets of \$7.9m (restated 2022: \$14.3m) relate to remaining licence commitments in Egypt.

At 31 December 2023 and 31 December 2022, no capital commitments for property, plant & equipment – development/producing assets are recorded as operator budgets are still to be agreed and approved and Capricorn has paused all further capital projects until a payment plan with EGPC has been agreed.

There were no short-term lease commitments at the 2023 balance sheet date (2022: \$nil).

2.8 Impairment Sensitivity Analysis

Capricorn recorded an impairment of \$29.1m on the NEAG and AESW concession areas and a further \$14.6m of goodwill impairment. Impairment sensitivity analysis has been performed on the Group's long-term oil price, discount rate, collection rate and cost of carbon assumptions with results presented below. Impairment arising on downside changes to assumptions increase the charge on the NEAG and AESW concession areas and also result in impairment on the BED concession area.

Changes to other assumptions used to calculate the recoverable value of the Group's Egypt assets have no significant impact on the impairment charge.

	Property, plant & equipment – Impairment charge (increase)/ decrease \$m	Goodwill – Impairment charge (increase)/ decrease \$m	Deferred tax credit/(charge) on change \$m	Net Income Statement impact \$m
Long-term oil price:				
Decrease to \$60/bbl	(8.0)	(2.8)	2.5	(8.3)
Increase to \$70/bbl	3.3	5.6	(0.9)	8.0
Discount rate:				
Decrease to 12.5%	2.2	7.7	(0.8)	9.1
Increase to 17.5%	(7.9)	(3.3)	2.8	(8.4)
Increase to 20%	(15.2)	(6.0)	5.4	(15.8)
Rate of revenue collection:				
Decrease to 3 months from production	6.1	14.6	(1.9)	18.8
Increase to 9 months from production	(31.9)	(9.4)	7.8	(33.5)
Carbon prices:				
Increase by 10%	(3.2)	(1.3)	1.3	(3.2)
Increase by 20%	(6.7)	(2.3)	2.6	(6.4)

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES

This section includes detail on the Group's loan facilities, movements in lease liabilities and financial assets and liabilities at the year-end. The Group's financial risk management objectives and policies are also contained in this section.

Significant accounting judgements and key estimates and assumptions in this section:

Expected credit loss adjustment on Egypt trade receivables

Capricorn has reviewed and increased expected credit loss adjustments that reduce the value of receivables in Egypt. While Capricorn ultimately expects to recover the full value of receivables, the increased ageing of receivables and the worsening economic climate in Egypt through 2023 has impacted the credit risk assessment of the receivable.

\$4.1m of the current year increase in expected credit loss provisions relates to balances greater than one year old that are fully provided. There is no potential change in assumptions that would lead to material impact on the financial statements.

3.1 Cash and Cash Equivalents

	At 31 December 2023 \$m	At 31 December 2022 \$m
Cash at bank	12.8	63.4
Bank deposit less than three months	20.0	298.0
Money market funds	156.7	395.4
	189.5	756.8

At 31 December 2023, \$10.6m (2022: \$52.5m) of cash and cash equivalents are restricted and not available for immediate ordinary business use. This includes \$5.6m (2022: \$43.5m) of cash and cash equivalents in Egypt.

Cash and cash equivalents earn interest at floating rates. Short-term investments are made for varying periods, which can be as short as instant access but generally not more than three months, depending on the cash requirements of the Group. At 31 December 2022 and 31 December 2023, Capricorn had invested surplus funds into money market funds and short-term bank deposits. These meet the criteria of cash and cash equivalents.

Capricorn limits the placing of funds and other investments to banks or financial institutions that have ratings of A- or above from at least two of Moody's, Standard & Poor's or Fitch, unless a sovereign guarantee is available from a AAA- rated government. The counterparty limits vary between \$50.0m and \$200.0m depending on the ratings of the counterparty. No investments are placed with any counterparty with a five-year credit default swap exceeding 250 bps. Investments in money market liquidity funds are only made with AAA-rated liquidity funds.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.2 Loans and Borrowings

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Reconciliation of opening and closing liabilities to cash flow movements:		
Opening liabilities	158.6	177.0
Loan repayments in the year disclosed in the Statement of Cash Flows		
Senior Debt Facility	(48.3)	(21.5)
Non-cash movements:		
Accrued debt facility interest	0.6	2.2
Amortisation of debt arrangement fees	0.9	0.9
Closing liabilities	111.8	158.6
Amounts due less than one year	15.4	25.4
Amounts due greater than one year	96.4	133.2
Closing liabilities	111.8	158.6

Capricorn Egypt Debt Facilities

In September 2021, Capricorn Egypt Limited entered into a \$325.0m Senior Debt Facility and an \$80.0m Junior Debt Facility jointly with Cheiron, the joint operation partner in Egypt, to finance the acquisition of the Egyptian Western Desert Portfolio. The facility commitments are split 50:50 with Cheiron. Facility commitments began amortising in September 2022 and the maximum drawdown available to Capricorn at 31 December 2023 was \$73.6m (2022: \$119.9m) for the Senior Debt Facility and \$40.0m (2022: \$40.0m) for the Junior Debt Facility.

At the date of approval of these financial statements, Capricorn and Cheiron are seeking waivers from the lenders for potential events of default under the facilities, all related to a lack of a payment plan from EGPC for resolving the trade receivables position.

With effect from 1 July 2023, the Secured Overnight Financing Rate (SOFR) replaced LIBOR as the benchmark for calculating interest on the two facilities. Interest on debt drawn is charged at the appropriate SOFR for the currency drawn plus an applicable margin. The Senior Debt Facility remains subject to biannual redeterminations, has a market standard suite of covenants, including biannual liquidity tests, and is cross-guaranteed by the Group companies party to the facility, including Cheiron. Capricorn has provided no guarantee outside the subsidiary holding the Egypt assets.

Any debt drawn is repayable in line with the amortisation of bank commitments over the period to the extended final maturity date of September 2026. All drawings in the year were denominated in \$.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.3 Lease Liabilities

Accounting policy

Lease liabilities are measured and recorded on commencement of the asset being brought into use. Measurement is based on the lower of fair value of the asset or the net present value of fixed lease commitments under the contract. Lease payments made in excess of the fixed instalments are charged direct to the Income Statement as variable lease costs.

Lease payments are allocated between capital and interest based on the rate implicit in the lease agreement. Where this is not practical to determine, the Group's incremental borrowing rate is used.

Where there are changes subsequent to initial recognition, adjustments are made to both the lease liability and the capitalised asset. The interest rate used where the rate implicit in the lease is not determinable is updated at the date of the remeasurement.

No lease liability is recognised for leases where the period over which the right-of-use of an asset is obtained is forecast to be less than 12 months. Leases for low value items are not recorded as a liability but are charged as appropriate when the benefit is obtained.

	At 31 December 2023 \$m	At 31 December 2022 \$m
Reconciliation of opening and closing liabilities to cash flow movements:		
Opening liabilities	4.3	3.7
Lease payments in the period disclosed in the Statement of Cash Flows as financing cash flows		
Total lease payments	(2.2)	(2.5)
Non-cash movements:		
Lease additions	15.5	3.2
Lease termination	(1.6)	–
Lease interest charges	0.5	0.2
Lease disposal	(9.5)	–
Foreign exchange	0.4	(0.3)
Closing lease liabilities	7.4	4.3
Amounts due less than one year	1.0	1.9
Amounts due greater than one year	6.4	2.4
Total lease liabilities	7.4	4.3

As at 31 December 2023, the balance of \$7.4m wholly relates to office lease costs in the UK and Egypt. Additions of \$15.5m in 2023 relate to new office lease liabilities in the UK.

During 2023, Capricorn's lease of two floors for the head office on Lothian Road, Edinburgh expired. The Group had previously entered into lease agreements for two floors in new office premises in Edinburgh, but following the Board's strategic review, plans to move into those new offices were cancelled. Capricorn reached agreement to cancel the lease of one floor in 2023 and to sub-lease the remaining floor subsequent to the year end. The remaining floor has a lease term of 15 years with a break clause after 10 years. The Group subsequently entered into a lease agreement for new premises on a different floor within the Lothian Road building. This lease is for an initial three years with the option to extend for a further two.

As at 31 December 2023, the Group did not incur any further fixed or variable lease costs. There are no material costs relating to short-term leases or the lease of low value assets. Amortisation charges relating to right-of-use assets and the carrying value at the year-end are disclosed in note 2.5. The maturity analysis of lease liabilities is included in note 3.9.

3.4 Inventory

Accounting policy

Spare parts inventories in Egypt are maintained by Bapetco on behalf of the operator Cheiron. Inventory is held at the lower of cost and net realisable value, where net realisable value is measured at cost less provisions for obsolescence, based on the age of the items held.

Oil inventory is measured at market value.

	31 December 2023 \$m	31 December 2022 \$m
Spare parts – Egypt concessions	8.3	8.1

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.5 Trade and Other Receivables

Accounting policy

Trade receivables represent amounts due from the sale of oil and gas from the Group's assets in Egypt and royalty payments receivable from producing fields in Mongolia. Other receivables primarily represent recharges to joint operations. Joint operation receivables relate to Capricorn's interest in its oil and gas joint arrangements, including Capricorn's participating interest share of the receivables of the joint arrangements themselves.

Trade receivables, other receivables and joint operation receivables, which are financial assets, are measured initially at fair value and subsequently recorded at amortised cost.

A loss allowance is recognised, where material, for expected credit losses on all financial assets held at the balance sheet date. Expected credit losses are the difference between the contractual cash flows due to Capricorn and the discounted actual cash flows that are expected to be received. Where there has been no significant increase in credit risk since initial recognition, the loss allowance is equal to 12-month expected credit losses. Where the increase in credit risk is considered significant, lifetime credit losses are provided. For trade receivables, a lifetime credit loss is recognised on initial recognition where material.

Prepayments, which are not financial assets, are measured at historic cost.

	At 31 December 2023 \$m	At 31 December 2022 \$m
Trade receivables	168.5	96.9
Other receivables	11.0	19.6
Prepayments	1.5	5.3
Joint operation receivables	5.0	20.7
	186.0	142.5

Trade receivables relate to the Group's producing assets in Egypt. Capricorn remains in discussions with EGPC and the operator to manage the receivables position and Capricorn will not commit to further investment in Egypt until a payment plan is agreed. At 31 December 2023, the expected credit loss adjustment offsetting receivables has increased to \$9.0m (2022: \$1.0m).

Trade receivables are initially recorded at fair value, adjusting for expected credit losses, and subsequently measured at amortised cost. Revenue is recognised at the point in time where title passes to the customer and payment becomes unconditional. The fair value measurement of revenue for oil and gas sales in Egypt includes adjustments to invoiced quantities for expected entitlement share adjustments.

Other receivables balance of \$11.0m (2022: \$19.6m) includes interventure receivables of \$1.4m (2022: \$9.1m), VAT recoverable in the UK and Mexico of \$3.6m (2022: \$4.4m), money market interest receivable of \$0.6m (2022: \$3.3m) and earnout settlement receivable of \$2.0m (2022: \$nil), see note 6.1.

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Reconciliation of opening and closing receivables to operating cash flow movements:		
Opening trade and other receivables	142.5	1,211.2
Closing trade and other receivables	(186.0)	(142.5)
(Increase)/Decrease in trade and other receivables	(43.5)	1,068.7
Foreign exchange	(1.2)	(17.3)
India tax refund received	–	(1,056.0)
Decrease in joint operation receivables relating to investing activities	(18.5)	(27.7)
Decrease in other receivables relating to investing activities	(4.2)	(8.7)
(Decrease)/Increase in prepayments relating to investing activities	(2.2)	0.6
(Decrease)/Increase in prepayments and other receivables relating to financing activities	(1.4)	1.7
Trade and other receivables recognised on earnout settlement	2.0	–
Trade and other receivables cash flow movement	(69.0)	(38.7)

The movements in joint operation receivables relating to investing activities relate to the Group's share of the receivables of joint operations in respect of exploration, appraisal and development activities.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.6 Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

	At 31 December 2023 \$m	At 31 December 2022 \$m
Financial assets		
Non-current assets		
Financial assets at fair value through profit or loss – earnout consideration	–	89.7
Financial assets at fair value through profit or loss – non-listed investment fund	–	6.5
	–	96.2
Current assets		
Financial assets at fair value through profit or loss – earnout consideration	–	134.4
	–	134.4

Financial assets at fair value through profit or loss – Earnout consideration

On 18 December 2023, Capricorn reached an agreement with Waldorf Petroleum whereby all future earnout consideration due to Capricorn was settled, see note 6.1. There is therefore no financial asset at fair value through profit to loss in relation to the earnout consideration at 31 December 2023. Details of the loss on disposal of the financial assets can also be found in note 6.1.

On 31 March 2023, Capricorn received \$136.7m in full settlement of the 2022 earnout consideration due with interest from 1 January 2023 of \$2.3m. See note 6.1 for further detail.

Financial assets at fair value through profit or loss – Listed equity investments

In 2021, Capricorn invested \$6.9m into a non-listed trust in India and with a minimum investment period of five years, this is recorded as a non-current financial asset and measured at fair value. In 2023, the Group entered into an agreement to release Capricorn from the minimum investment period and dispose of its investment for \$3.2m and the asset is now reclassified as an asset held-for-sale at the balance sheet date, after testing for impairment. See note 3.10 for further detail.

In March 2022, the Group sold its remaining shareholding in Vedanta, listed in India, for INR968m (\$12.8m).

	At 31 December 2023 \$m	At 31 December 2022 \$m
Financial liabilities		
Non-current liabilities		
Financial liabilities at fair value through profit or loss – deferred consideration on business combination	(19.8)	(36.8)
	(19.8)	(36.8)
Current liabilities		
Financial liabilities at fair value through profit or loss – deferred consideration on business combination	(25.0)	(25.0)
	(25.0)	(25.0)

Financial liabilities at fair value through profit or loss – deferred consideration on business combination

Deferred consideration is due to Shell following the Egypt business combination in 2021. Amounts due are determined by the average annual dated Brent oil price for each year up to 2024, with a maximum \$50.0m due for each year, split 50:50 between Capricorn and Cheiron, if the average price exceeds \$75/bbl. The full \$25.0m was payable in respect of 2022 and was settled in January 2023. Capricorn and Cheiron are in discussions with Shell regarding settlement of the \$25m due for the 2023.

The fair value of the liability in respect of remaining years is based on third-party mark-to-market valuations. During the year, the Group made a loss of \$8.0m (2022: \$12.7m) on fair value movements increasing the liability.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.7 Trade and Other Payables

Accounting policy

Trade and other payables are non-interest bearing and are measured at fair value initially then amortised cost subsequently.

Joint operation payables are payables that relate to Capricorn's interest in its oil and gas joint arrangements, including Capricorn's participating interest share of the trade and other payables of the joint arrangements themselves. Where Capricorn is operator of the joint operation, joint operation payables also include amounts that Capricorn will settle to third parties on behalf of joint operation partners. The amount to be recovered from partners for their share of such liabilities are included within joint operation receivables.

	At 31 December 2023 \$m	At 31 December 2022 (restated) \$m
Trade payables	0.3	1.5
Other taxation and social security	0.5	1.9
Accruals and other payables	7.9	21.6
Joint operation payables	73.3	59.9
	82.0	84.9

Joint operation payables include \$6.4m (2022: \$18.3m) and \$66.9m (2022: \$41.6m) relating to exploration/appraisal asset and development/producing asset costs respectively.

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 (restated) \$m
Reconciliation of opening and closing payables to operating cash flow movements:		
Opening trade and other payables	(84.9)	(152.2)
Closing trade and other payables	82.0	84.9
Decrease in trade and other payables	(2.9)	(67.3)
Foreign exchange	1.6	3.4
Decrease in trade payables relating to investing activities	0.7	0.5
(Increase)/Decrease in joint operation payables relating to investing activities	(38.1)	32.4
Decrease in accruals and other payables relating to investing activities	–	3.0
Decrease/(Increase) in accruals and other payables relating to financing activities	0.1	(0.5)
Decrease in accruals and other payables relating to other non-operating activities	–	18.7
Trade and other payables movement recorded in operating cash flows	(38.6)	(9.8)

Movements above for investing activities relate to exploration, appraisal and development activities through the Group's joint operations. Movements relating to production activities are included in amounts through operating cash flows. The movement in accruals and other payables relating to other non-operating activities is in relation to the share repurchase.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.8 Financial Instruments

Below is the comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the Financial Statements.

Financial assets

	At 31 December 2023 \$m	At 31 December 2022 \$m
Carrying amount and fair value		
<i>Financial assets at amortised cost</i>		
Other long-term receivable – deferred consideration	20.6	–
Cash and cash equivalents	189.5	756.8
Trade receivables	168.5	96.9
Other receivables	11.0	19.6
Joint operation receivables (excluding VAT)	3.2	14.1
<i>Financial assets at fair value through profit or loss</i>		
Earnout consideration	–	224.1
Non-listed investment fund	–	6.5
	392.8	1,118.0

The fair value of other long-term receivables held at amortised cost relating to deferred consideration does not materially differ from its carrying value. Due to the short-term nature of remaining financial assets held at amortised cost, their carrying amount is considered to be the same as their fair value.

There are no material impairments of financial assets held on the Balance Sheet at either 31 December 2023 or 2022.

Maturity analysis of financial assets

The other long-term receivable – deferred consideration is expected to mature early January 2025 on receipt of the remaining \$22.5m due. All other financial assets at amortised costs are expected to mature within 12 months.

There were no financial assets at fair value through profit or loss at 31 December 2023. The expected financial maturity of the Group's financial assets at fair value through profit or loss at 31 December 2022 was as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial assets at fair value through profit or loss</i>				
Earnout consideration	134.4	52.9	36.8	–
Non-listed investment fund	–	–	6.5	–
	134.4	52.9	43.3	–

Financial liabilities

	At 31 December 2023 \$m	At 31 December 2022 (restated) \$m
Carrying amount and fair value		
<i>Financial liabilities at amortised cost</i>		
Trade payables	0.3	1.5
Accruals and other payables	7.9	21.6
Joint operation payables	73.3	59.9
Lease liabilities	7.4	4.3
Loans and borrowings	111.8	158.6
<i>Financial liabilities at fair value</i>		
Deferred consideration on business combinations	44.8	61.8
	245.5	307.7

The fair value of financial liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.8 Financial Instruments continued**Financial liabilities** continued**Maturity analysis of financial liabilities**

The expected financial maturity of the Group's financial liabilities at 31 December 2023 is as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial liabilities at amortised cost</i>				
Trade payables	0.3	–	–	–
Accruals and other payables	7.9	–	–	–
Joint operation payables	73.3	–	–	–
Lease liabilities	1.0	1.3	3.3	1.8
Loans and borrowings	27.1	33.9	84.9	–
<i>Financial liabilities at fair value</i>				
Deferred consideration on business combinations	25.0	19.8	–	–
	134.6	55.0	88.2	1.8

The expected financial maturity of the Group's financial liabilities at 31 December 2022 (restated) was as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial liabilities at amortised cost</i>				
Trade payables	1.5	–	–	–
Accruals and other payables	21.6	–	–	–
Joint operation payables	59.9	–	–	–
Lease liabilities	1.9	0.8	1.6	–
Loans and borrowings	25.4	42.1	91.1	–
<i>Financial liabilities at fair value</i>				
Deferred consideration on business combinations	25.0	36.8	–	–
	135.3	79.7	92.7	–

Fair value

	At 31 December 2023 \$m	At 31 December 2022 \$m
Assets measured at fair value – Level 2		
<i>Financial assets at fair value through profit or loss</i>		
Earnout consideration	–	224.1
Non-listed investment fund	–	6.5
Liabilities measured at fair value – Level 2		
<i>Financial liabilities at fair value</i>		
Deferred consideration on business combinations	(43.8)	(58.9)
Liabilities measured at fair value – Level 3		
<i>Financial liabilities at fair value</i>		
Deferred consideration on business combinations	(1.0)	(2.9)
	(44.8)	168.8

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.9 Financial Risk Management: Objectives and Policies

The main risks arising from the Group's financial instruments are commodity price risk, liquidity risk, credit risk and foreign currency risk. The Board of Capricorn Energy PLC, through the Treasury Subcommittee, reviews and agrees policies for managing each of these risks and these are summarised below.

The Group's Treasury function and Executive Team as appropriate are responsible for managing these risks, in accordance with the policies set by the Board. Management of these risks is carried out by monitoring of cash flows, investment and funding requirements using a variety of techniques. These potential exposures are managed while ensuring that the Company and the Group have adequate liquidity at all times in order to meet their immediate cash requirements. There are no significant concentrations of risks unless otherwise stated. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The primary financial assets and liabilities comprise cash, short- and medium-term deposits, money market liquidity funds, intra-group loans and other receivables and financial liabilities held at amortised cost. The Group's strategy is to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives such as equity issues and other forms of non-investment-grade debt finance will be reviewed by the Board, when appropriate.

Commodity price risk

Commodity price risk arises principally from the Group's Egyptian production, which could adversely affect revenue and debt availability due to changes in commodity prices.

The Group measures commodity price risk through an analysis of the potential impact of changing commodity prices. Based on this analysis and considering materiality and the potential business impact, the Group may choose to hedge. However, the Group did not enter into any commodity price hedging arrangements during either period covered by this report.

Liquidity risk

The Group closely monitors and manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt and equity financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, further delays in the settlement of trade receivables in Egypt, changes in asset production profiles and cost schedules.

During the year, the Group's Treasury function has actively managed the Group's \$ and EGP position in Egypt. EGP has been maintained at sufficient levels to meet upcoming local and joint operation payments falling due, but limiting holding significant funds to avoid exposure to currency devaluation. \$ payments have been carefully managed to match cash inflows on receivable settlements.

The Group runs sensitivities on its liquidity position at various times throughout the year. This includes scenarios forecasting different levels of capital expenditure dependant on uncertain payment schedules from EGPC. Further details are noted in the Viability Statement provided on page 41. Details of the Group's debt facilities can be found in note 3.2. The Group is subject to biannual forecast liquidity tests as part of the facility agreements. Future liquidity of the Egypt business is dependent upon reaching resolution to the receivables issue with EGPC. Outside of Egypt the Group has sufficient funds to settle all other financial liabilities.

The Group invests cash in a combination of money market liquidity funds and term deposits with a number of international and UK financial institutions, ensuring sufficient liquidity to enable the Group to meet its short- and medium-term expenditure requirements.

Credit risk

Credit risk arises from cash and cash equivalents, investments with banks and financial institutions, trade and other receivables and joint operation receivables.

Customers, joint operation partners and other debtors are subject to a risk assessment using publicly available information and credit reference agencies, with follow-up due diligence and monitoring if required. At the year-end, the Group's trade receivables primarily relates to amounts due from EGPC for oil and gas sales in Egypt and . Amounts are recognised after providing for expected credit losses, based on management's assessment of credit risk.

Investment credit risk for investments with banks and other financial institutions is managed by the Group Treasury function in accordance with the Board-approved policies of Capricorn Energy PLC. These policies limit counterparty exposure, maturity, collateral and take account of published ratings, market measures and other market information. The limits are set to minimise the concentration of risks and therefore mitigate the risk of financial loss through counterparty failure.

It is Capricorn's policy to invest with banks or other financial institutions that, firstly, offer the greatest degree of security in the view of the Group and, secondly, the most competitive interest rates. Repayment of principal is the overriding priority and this is achieved by diversification and shorter maturities to provide flexibility. The Board continually reassesses the Group's policy and updates as required.

At the year-end the Group does not have any significant concentrations of bad debt risk with financial institutions. As at 31 December 2023, the Group had investments with 14 counterparties (2022: 21) to ensure no concentration of counterparty investment risk. At 31 December 2022 and 2023, the Group's investments were a combination of instant access and term deposits.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

SECTION 3 – WORKING CAPITAL, FINANCIAL INSTRUMENTS AND LONG-TERM LIABILITIES CONTINUED

3.9 Financial Risk Management: Objectives and Policies continued

Foreign currency risk

Capricorn manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position.

The Group also aims where possible to hold surplus cash, debt and working capital balances in the functional currency of the subsidiary, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Group's Balance Sheet.

Where residual net exposures do exist and they are considered significant, the Company and Group may from time to time opt to use derivative financial instruments to minimise exposure to fluctuations in foreign exchange and interest rates.

The following table demonstrates the sensitivity to movements in the \$:GBP exchange rate, with all other variables held constant, on the Group's monetary assets and liabilities. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. The Group's exposure to foreign currency changes for all other currencies, including EGP, is not material.

	At 31 December 2023		At 31 December 2022	
	Effect on profit before tax \$m	Effect on equity \$m	Effect on profit before tax \$m	Effect on equity \$m
10% increase in GBP to \$	(8.1)	(1.0)	(17.9)	(5.3)
10% decrease in GBP to \$	8.1	1.0	17.9	5.3

3.10 Asset Held-for-Sale

In October 2021, Capricorn invested INR508,089,142 (\$6.9m) into a non-listed trust in India. The asset was recorded as a non-current financial asset and measured at fair value. During 2023, an agreement was reached to sell the investment, subsequently, the asset was reclassified from a financial asset at fair value through profit or loss to an asset held-for-sale.

At 1 January 2023, the investment had a fair value of \$6.5m, which subsequently increased to \$7.2m at the date of reclassification giving rise to a fair value gain in the year of \$0.8m, offset by an exchange loss of \$0.1m. On reclassification to an asset held-for-sale an impairment of \$4.0m was recorded.

	Total \$m
Cost as at 28 October 2021	6.9
Fair value gain	0.3
Exchange loss	(0.7)
As at 31 December 2022 (within Financial assets at fair value through profit or loss, see note 3.6)	6.5
Fair value gain up to reclassification to asset held-for-sale	0.8
Exchange loss	(0.1)
Impairment	(4.0)
At 31 December 2023	3.2

SECTION 4 – INCOME STATEMENT ANALYSIS

This section contains further Income Statement analysis, including segmental analysis, details of employee benefits payable in the year, finance income and finance costs.

Significant accounting judgements in this section:

Segmental disclosures and discontinued operations

IFRS 8 'Operating Segments' does not provide guidance as to whether segment disclosures apply to discontinued operations. For the comparative period, Capricorn has presented segmental disclosures inclusive of the results of the discontinued operations relating to the UK producing assets, Catcher and Kraken. The current year movements, largely relating to fair value movements on the earnout consideration due, are included within the 'Other Capricorn Energy Group' segment.

Key estimates and assumptions in this section:

There are several key estimates and assumptions used in the calculation of the Group's share-based payment charges. These are detailed in note 4.4 (b).

4.1 Segmental Analysis

Operating segments

Capricorn had two reportable operating segments during 2023 relating to its operations in Egypt and Mexico. Previous segments of Eastern and Western assets are no longer reported following the relinquishment of assets in Mauritania, Mexico, Suriname and the UK and comparative information has been adjusted to reflect the changes in the organisation. In 2022, the UK was also a reportable segment and is separately disclosed in comparative information and in the non-current asset disclosures below, though activities continued in the UK, it was not a reportable segment in 2023.

The Board monitored the results of each segment separately for the purposes of making decisions about resource allocation and performance assessment.

The Other Capricorn Energy Group segment exists to accumulate the activities and results of the Parent and other holding companies together with other unallocated expenditure and net assets/liabilities, including amounts of a corporate nature not specifically attributable to any of the business units.

Non-current assets as analysed on a segmental basis consist of: intangible exploration/appraisal assets; property, plant & equipment – development/producing assets; goodwill; and other property, plant & equipment and intangible assets. Comparative information has been restated for the change in accounting policy and prior year restatement. See note 1.3.

	At 31 December 2023 \$m	At 31 December 2022 (restated) \$m
Geographical information: non-current assets		
Egypt	232.0	302.9
Mexico	0.2	1.5
UK	27.6	–
Other Capricorn Energy Group	13.2	11.9
Total non-current assets	273.0	316.3

SECTION 4 – INCOME STATEMENT ANALYSIS CONTINUED

4.1 Segmental Analysis continued

Operating segments continued

The segment results for the year ended 31 December 2023 are as follows:

	Egypt \$m	Mexico \$m	Other Countries \$m	Other Capricorn Energy Group \$m	Total \$m
Revenue	199.9	–	–	1.1	201.0
Other income	54.1	–	–	–	54.1
Cost of sales	(59.6)	–	–	–	(59.6)
Depletion charges	(120.4)	–	–	–	(120.4)
Gross profit	74.0	–	–	1.1	75.1
Pre-award costs	(0.7)	–	–	(0.4)	(1.1)
General exploration costs	(10.4)	(10.3)	(6.2)	–	(26.9)
Unsuccessful exploration costs	(2.6)	(16.0)	(1.9)	–	(20.5)
Impairment of property, plant & equipment – development/producing assets	(29.1)	–	–	–	(29.1)
Impairment of goodwill	(14.6)	–	–	–	(14.6)
Expected credit loss adjustment on revenue receivable	(9.0)	–	–	–	(9.0)
Other operating income	–	–	–	0.6	0.6
Depreciation – purchased assets	–	–	–	(0.2)	(0.2)
Amortisation – right-of-use assets	(0.3)	–	–	(2.3)	(2.6)
Amortisation of other intangible assets	–	(0.3)	–	(3.6)	(3.9)
Other administrative expenses	(1.9)	(2.9)	(0.1)	(50.3)	(55.2)
Operating profit/(loss)	5.4	(29.5)	(8.2)	(55.1)	(87.4)
Fair value loss – deferred consideration	(8.0)	–	–	–	(8.0)
Gain on financial assets at fair value through profit or loss	–	–	–	0.8	0.8
Impairment of an asset held-for-sale	–	–	–	(4.0)	(4.0)
Interest income	0.4	–	0.1	19.9	20.4
Interest expense	(15.0)	–	–	(0.5)	(15.5)
Other net finance (expense)/income	(2.7)	1.7	(0.5)	(6.9)	(8.4)
Loss before tax from continuing operations	(19.9)	(27.8)	(8.6)	(45.8)	(102.1)
Tax charge	(40.5)	–	–	–	(40.5)
Loss for the year from continuing operations	(60.4)	(27.8)	(8.6)	(45.8)	(142.6)
Loss from discontinued operations	–	–	–	(1.4)	(1.4)
Loss attributable to equity holders of the Parent	(60.4)	(27.8)	(8.6)	(47.2)	(144.0)
Balances as at 31 December 2023:					
Capital expenditure	96.4	15.0	1.9	1.9	115.2
Total assets	426.8	8.6	29.8	202.4	667.6
Total liabilities	237.2	5.2	5.9	12.8	261.1
Non-current assets	232.0	0.2	27.6	13.2	273.0

Revenue in the Egypt segment contains revenue generated from eight concessions in the Western Desert, onshore The Arab Republic of Egypt. 93.1% (\$187.1m) of revenue related to sales to a single customer.

All transactions between segments are carried out on an arm's length basis.

SECTION 4 – INCOME STATEMENT ANALYSIS CONTINUED

4.1 Segmental Analysis continued

Operating segments continued

The segment results for the year ended 31 December 2022 were as follows:

	Egypt (restated) \$m	Mexico (restated) \$m	UK (restated) \$m	Other Countries (restated) \$m	Other Capricorn Energy Group \$m	Total (restated) \$m
Revenue	228.9	–	–	–	0.7	229.6
Other income	54.8	–	–	–	–	54.8
Cost of sales	(71.2)	–	–	–	–	(71.2)
Depletion charges	(131.3)	–	–	–	–	(131.3)
Gross profit	81.2	–	–	–	0.7	81.9
Pre-award costs	(2.8)	–	(0.8)	–	(5.6)	(9.2)
Unsuccessful exploration costs	–	(17.4)	(40.4)	–	–	(57.8)
General exploration costs	(18.3)	(10.1)	(8.3)	(12.0)	–	(48.7)
Impairment of property, plant & equipment – development/producing assets	(42.6)	–	–	–	–	(42.6)
Other operating income and expenses	4.0	–	–	–	1.8	5.8
Depreciation – purchased assets	–	–	–	–	(0.3)	(0.3)
Amortisation – right-of-use assets	(0.1)	(0.1)	–	–	(1.8)	(2.0)
Amortisation of other intangible assets	–	(0.3)	–	–	(3.2)	(3.5)
Other administrative expenses	(0.8)	(1.5)	–	–	(56.9)	(59.2)
Operating profit/(loss)	20.6	(29.4)	(49.5)	(12.0)	(65.3)	(135.6)
Fair value loss – deferred consideration	(12.7)	–	–	–	–	(12.7)
Gain on financial assets at fair value through profit or loss	–	–	–	–	2.3	2.3
Interest income	0.3	2.3	–	–	12.4	15.0
Interest expense	(13.2)	–	–	–	(0.2)	(13.4)
Other net finance (expense)/income	(8.5)	0.7	2.1	0.1	1.5	(4.1)
Loss before tax from continuing operations	(13.5)	(26.4)	(47.4)	(11.9)	(49.3)	(148.5)
Tax charge	(27.7)	–	–	–	(0.2)	(27.9)
Loss for the year from continuing operations	(41.2)	(26.4)	(47.4)	(11.9)	(49.5)	(176.4)
Profit from discontinued operations	–	–	–	–	109.3	109.3
(Loss)/Profit attributable to equity holders of the Parent	(41.2)	(26.4)	(47.4)	(11.9)	59.8	(67.1)
Balances as at 31 December 2022:						
Capital expenditure	75.8	1.2	36.2	–	10.7	123.9
Total assets	478.8	21.3	226.5	0.1	736.3	1,463.0
Total liabilities	299.4	5.4	10.6	1.7	24.3	341.4
Non-current assets	302.9	1.5	–	–	11.9	316.3

Revenue in the Egypt segment contains revenue generated from eight concessions in the Western Desert, onshore The Arab Republic of Egypt. 90.8% (\$207.7m) of revenue related to sales to a single customer.

All transactions between the segments were carried out on an arm's length basis.

SECTION 4 – INCOME STATEMENT ANALYSIS CONTINUED

4.2 Pre-Award Costs

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Egypt	0.7	2.8
Other countries	0.4	6.4
	1.1	9.2

Pre-award costs represent time costs, legal fees and other direct charges incurred in pursuit of new opportunities in regions which complement the Group's current licence interests and risk appetite. Other pre-award costs relate to new opportunities outside the current regions of the business.

4.3 Administrative and Other Expenses

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Administrative expenses	55.0	40.8
Administrative expenses – Indian tax arbitration costs	–	13.1
Other expenses – corporate transactions	6.9	11.1
	61.9	65.0

Included within current-year corporate transactions are costs of \$6.9m (2022: \$11.1m) relating to corporate transactions subsequently terminated.

4.4 Employee Benefits: Staff Costs, Share-Based Payments and Directors' Emoluments

a) Staff costs

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Wages and salaries	18.4	31.1
Social security costs	0.5	7.8
Redundancy costs	16.5	0.6
Other pension costs	1.9	2.6
Share-based payments	2.5	10.5
	39.8	52.6

Staff costs are shown gross before amounts recharged to joint operations. The share-based payments charge represents amounts in respect of equity-settled options.

The monthly average number of full-time equivalent employees, including Executive Directors and individuals employed by the Group working on joint operations was:

	Number of employees	
	Monthly average 2023	Monthly average 2022
Continuing operations:		
UK	90	186
Egypt	22	17
Mexico	5	7
	117	210

SECTION 4 – INCOME STATEMENT ANALYSIS CONTINUED

4.4 Employee Benefits: Staff Costs, Share-Based Payments and Directors' Emoluments continued

b) Share-based payments

Income statement charge

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Included within gross staff costs (continuing operations):		
SIP	2.1	1.5
LTIP	(0.1)	7.4
Employee Share Scheme	0.5	1.6
	2.5	10.5

In 2023, a reversal of prior year charges of \$2.4m was recorded against LTIP share-based payment charges, relating to two former directors who left the business in 2023, forfeiting their awards.

Details of awards with a significant impact on the results for the current and prior year are given below, together with a summary of the remaining awards.

Share-based payment schemes and awards details

The Group operates a number of share award schemes for the benefit of its employees.

The number of share awards made by the Company during the year is given in the table below, together with their weighted average fair value (WAFV) and weighted average grant or exercise price (WAGP/WAEP):

	Year ended 31 December 2023			Year ended 31 December 2022		
	WAFV £	WAGP/ WAEP £	Number of shares	WAFV £	WAGP/ WAEP £	Number of shares
SIP – free shares	1.72	1.72	87,990	1.97	1.97	355,020
SIP – matching shares	2.11	2.11	190,212	2.14	2.14	247,763
LTIP	0.99	1.86	1,483,771	1.08	1.96	7,475,459
Employee Share Scheme	2.48	1.87	228,175	1.33	1.96	1,290,742
			1,990,148			9,368,984

The awards existing under the LTIP with the WAGP are as follows:

	2023		2022	
	Number of shares	WAGP £	Number of shares	WAGP £
At 1 January	27,386,242	1.72	29,580,589	1.71
Granted during the year	1,483,771	1.86	7,475,459	1.96
Exercised during the year	(4,734,541)	1.84	(4,382,718)	2.06
Lapsed during the year	(12,351,337)	1.61	(5,287,088)	1.71
At 31 December	11,784,135	1.79	27,386,242	1.72

The weighted average remaining contractual life of outstanding awards under the LTIP at 31 December 2023 was 0.6 year (2022: 1.0 year). Included in the above are 757,365 of exercisable LTIP awards (2022: 1,083,247). No exercise price is payable in respect of LTIP awards.

The awards existing under all share schemes other than the LTIP with the weighted average of the grant price, exercise price and notional exercise prices (WAGP/WAEP) are as follows:

	2023		2022	
	Number of shares	WAGP/WAEP £	Number of shares	WAGP/WAEP £
At 1 January	7,423,248	1.79	10,701,372	1.79
Consolidation of shares	(912,177)	1.82	–	–
Granted during the year	506,377	2.21	1,893,525	1.98
Exercised during the year	(3,853,745)	1.75	(4,622,837)	1.88
Lapsed during the year	(1,125,756)	1.88	(548,812)	1.75
At 31 December	2,037,947	1.90	7,423,248	1.79

The weighted average remaining contractual life of outstanding awards under all other schemes at 31 December 2023 was 6.6 years (2022: 7.0 years). Included in the above are 278,927 of exercisable ESAS (2022: 874,146) and exercisable share options of 197,122 (2022: 574,964). No exercise price is payable in respect of ESAS; the share options had a range of exercise prices from £1.54 to £1.87.

SECTION 4 – INCOME STATEMENT ANALYSIS CONTINUED

4.4 Employee Benefits: Staff Costs, Share-Based Payments and Directors' Emoluments continued

b) Share-Based Payments continued

Assumptions and inputs

The fair value of the Capricorn Energy PLC LTIP scheme awards and the ESAS share awards were calculated using a Monte Carlo model.

Capricorn Energy PLC share awards normally have a 10-year life from the date of grant. Awards were exercised on a regular basis throughout the year, subject to the normal employee dealing bans imposed by the Company at certain times. The weighted average share price during the year was £2.10 (2022: £2.22).

For the awards issued in previous years, vesting percentage is by reference to the market performance of the Company's TSR compared with a group of peer companies. Vesting percentages for LTIPs can be above 100%. For the ESAS, 100% vesting occurs if the Company's TSR is in excess of the median of the comparator group, otherwise the ESAS will lapse in full.

In 2023, following the Company's restructure, it was recognised that relative TSR is a more common measure in the market, however, was considered not to be an appropriate measure of success at the present time. The Company awarded two types of LTIP shares to all employees and senior executives and no ESAS shares were awarded in 2023. It was determined that the vesting of the 2023 LTIP award would be linked to absolute shareholder returns.

Vesting percentages that will be delivered for their achievement, are as follows:

2023 LTIP – Senior Executive award

Share price at the end of the three-year measurement period	Percentage of ordinary shares comprised in award that vest
Less than or equal to £2.07	0%
£2.97 or higher	100%
Between £2.07 and £2.97	0%-100% on a straight-line basis

Senior Executive award vesting may be scaled back by up to 40% if the Committee determines that insufficient shareholder value has been generated during the first two years of the performance period.

2023 LTIP – Staff award

Share price at the end of the three-year measurement period	Percentage of ordinary shares comprised in award that vest
Less than or equal to £1.80	0%
£1.80	50%
£2.07 or higher	100%
Between £1.80 and £2.07	0%-100% on a straight-line basis

Fair Value of the 2023 awards using Monte Carlo Simulation model

	£
Senior Executive award	0.85
Staff award	1.21

c) Directors' Emoluments and Remuneration of Key Management Personnel

Details of each Director's remuneration, pension entitlements, share options and awards pursuant to the LTIP are set out in the Directors' Remuneration Report on pages 80 to 107. Directors' remuneration, their pension entitlements and any share awards vested during the year are provided in aggregate in note 8.9.

Remuneration of key management personnel

The remuneration of the Directors of the Company and of the members of the management and corporate teams who are the key management personnel of the Group is set out below in aggregate.

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Short-term employee benefits	6.0	3.9
Post-employment benefits	2.7	0.3
Share-based payments	0.5	2.3
	9.2	6.5

In addition, employer's National Insurance Contributions for key management personnel in respect of short-term employee benefits were \$0.2m (2022: \$0.6m).

Share-based payments shown above represent the cost to the Group of key management personnel's participation in the Company's share schemes, measured under IFRS 2.

During 2023, 1,244,941 (2022: 1,392,309) shares awarded to key management personnel vested under the LTIP. In addition, 228,175 shares were awarded under the ESAS to an individual within key management personnel under a stand-alone agreement in February 2023; 153,159 shares lapsed in July 2023; the remaining of 75,016 shares were exercised at £1.87 in July 2023.

SECTION 4 – INCOME STATEMENT ANALYSIS CONTINUED

4.5 Finance Income

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Bank and other interest receivable	21.8	15.0
Other finance income	–	0.7
	21.8	15.7

4.6 Finance Costs

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Loan interest	15.0	13.2
Facility fees amortisation	0.9	0.9
Other interest and finance charges and unwind of discount	1.7	1.5
Exchange loss	7.7	2.6
	25.3	18.2

Loan interest of \$15.0m (2022: \$13.2m) was charged on the Egypt Junior and Senior Debt Facilities.

4.7 Loss per Ordinary Share

Basic and diluted loss per share are calculated using the following measures of loss:

	Year ended 31 December 2023 \$m	Year ended 31 December (restated) 2022 \$m
Loss and diluted loss after taxation from continuing operations	(142.6)	(176.4)
Loss and diluted loss attributable to equity holders of the Parent	(144.0)	(67.1)

The following reflects the share data used in the basic and diluted earnings per share computations:

	Number of shares 2023 '000	Number of shares 2022 '000
Weighted average number of shares	196,128	364,470
Less weighted average shares held by ESOP and SIP Trusts	(2,777)	(7,313)
Basic and diluted weighted average number of shares	193,351	357,157

The 2023 share repurchase programme and two share consolidations reduced the weighted average number of shares in 2023 (see note 7.1). 2022 weighted average number of shares have not been adjusted, on the basis that the share consolidation is considered to be in substance a share repurchase at fair value.

SECTION 5 – TAXATION

This section highlights the Group's taxation policies, including both the accounting policy and wider strategy and governance policies. Details can also be found on deferred tax liabilities and deferred tax assets existing at the year-end and the current tax charge recorded on Egypt's taxable profits.

Significant accounting judgements in this section:

Recognition of deferred tax liabilities and tax charge on profits from Egypt concessions

Under the Egypt concession agreements, each contractor's share of income tax due on taxable profit for the year is paid on the contractor's behalf by EGPC. However, the tax liability remains with the contractor to the point of settlement. Therefore, Capricorn has recognised deferred tax liabilities on the temporary taxable difference between the carrying value of non-current assets and their tax written down values. Capricorn also records a tax charge in the period for tax that is payable on the Group's share of profits from production in Egypt and records other income to reflect the settlement of this liability on the Group's behalf. The other income is recorded in gross profit; see note 2.1.

Deferred taxation – Potential deferred tax assets on Egypt concessions

At the year-end, Capricorn has reviewed whether deferred tax assets should be recognised and has assessed this both on the availability of future taxable profits over which the assets could be utilised and the carrying value of assets on the Balance Sheet at the year-end. It was concluded that a deferred tax asset should be recognised in relation to two of the Egyptian concessions.

Key estimates and assumptions in this section:

In determining whether future taxable profits are available to recognise deferred tax assets, Capricorn uses the same economic models that are used for measuring the fair value of oil and gas assets. The key assumptions are therefore consistent with those detailed in section 2.

Accounting policy

The total tax charge or credit represents the sum of current tax and deferred tax.

The current tax charge or credit is based on the taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Where there are uncertain tax positions, Capricorn assesses whether it is probable that the position adopted in tax filings will be accepted by the relevant tax authority, with the results of this assessment determining the accounting that follows. If it is not considered probable that the income tax filing position will be accepted by the tax authority, the uncertainty is reflected within the carrying amount of the applicable tax asset or liability by using either the most likely amount or an expected value of the tax treatment, depending on which method is considered to better predict the resolution of the uncertainty, based on the underlying facts and circumstances.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. However, where the recognition of an asset is associated with an interest in a joint operation, which applies to all of Capricorn's intangible exploration/appraisal assets and property, plant & equipment – development/producing asset additions, and Capricorn is not able to control the timing of the reversal of the temporary difference or the temporary difference is expected to reverse in the foreseeable future, a deferred tax asset or liability shall be recognised.

Current and deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

SECTION 5 – TAXATION CONTINUED

5.1 Tax Strategy and Governance

The Group's tax strategy is fully aligned with its overarching business objectives and principles and applies to all taxes paid or borne by the Group. Capricorn aims to be a good corporate citizen, managing its tax affairs in a transparent and responsible manner in all the jurisdictions in which it operates, and seeks to build and maintain open and constructive relationships with all tax authorities. The Group is committed to transparency of tax contributions and other payments to governments and supports the Extractive Industries Transparency Initiative. Capricorn reports payments to governments in its Annual Report and Accounts as well as additional voluntary disclosures of taxes paid by the Group.

Capricorn undertakes tax planning that supports the business and reflects commercial and economic activity. The Group's policy is to not enter into any artificial tax avoidance schemes but to build and maintain strong collaborative working relationships with all relevant tax authorities based on transparency and integrity. Capricorn aims for certainty in relation to the tax treatment of all items; however, it is acknowledged that this will not always be possible, for example where transactions are complex or there is a lack of maturity in the tax regime in the relevant jurisdiction in which the Group is operating. In such circumstances Capricorn will seek external advice where appropriate and ensure that the approach adopted in any relevant tax return includes full disclosure of the position taken. Capricorn may also seek to work directly with tax authorities to resolve uncertainties where the tax laws are unclear or complex.

5.2 Tax Charge on (Loss)/Profit for the Year

Analysis of tax charge on Loss for the year

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 (restated) \$m
Current tax charge:		
Overseas corporation tax – Egypt	54.1	54.8
Overseas corporation tax – India	–	0.2
Total current tax charge on loss from continuing operations	54.1	55.0
Deferred tax credit:		
Reversal of deferred tax credit on recognition of financial assets – UK	–	(0.1)
Deferred tax credit on intangible/tangible assets – Egypt	(12.3)	(36.6)
Deferred tax (credit)/charge on non-current assets – Egypt – adjustment	(1.4)	9.6
Deferred tax credit from continuing operations	(13.7)	(27.1)
Total tax charge on loss from continuing operations	40.5	27.9
UK deferred tax (credit)/charge	(4.1)	4.1
Total deferred tax (credit)/charge on (loss)/profit from discontinued operations	(4.1)	4.1

The current tax charge in Egypt of \$54.1m (2022: \$54.8m) is settled by EGPC on the Group's behalf.

Factors affecting the tax charge for the year

A reconciliation of the income tax charge applicable to the (loss)/profit before income tax to the UK statutory rate of income tax is as follows:

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 (restated) \$m
Loss before tax from continuing operations	(102.1)	(148.5)
Loss before tax multiplied by the UK statutory rate of corporation tax of 23.52% (2021: 19%)	(20.7)	(28.2)
Effect of:		
Special tax rates and reliefs applying to oil and gas activities in the UK	(1.1)	(25.5)
Special tax rates and reliefs applying to oil and gas activities in Egypt	13.4	15.7
Impact on deferred tax of adjustments in respect of prior years	–	9.8
Temporary differences not recognised	23.5	43.7
Disposal of financial assets at fair value through profit or loss	–	0.2
Permanent items (non-taxable)/non-deductible	14.3	6.9
Group relief surrendered against profits/gains arising in discontinued operations	11.1	5.3
Total tax charge on (loss)/profit from continuing operations	40.5	27.9

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2023 of 23.52% (2022: 19%). The Finance Act 2023 was enacted on 11 July 2023 and increased the UK main rate of corporation tax from 19% to 25% with effect from 1 April 2023.

The applicable UK statutory corporation tax rate applying to North Sea oil and gas activities is currently 40% (2022: 40%). A temporary Energy (Oil and Gas) Profits Levy of 25% was legislated in July 2022, effective from 26 May 2022. A further increase to 35% from 1 January 2023 was substantively enacted in November 2022.

SECTION 5 – TAXATION CONTINUED

5.2 Tax Charge on (Loss)/Profit for the Year continued

Factors affecting tax charge for the year continued

The applicable statutory tax rate applying to oil and gas activities in Egypt is currently 40.55% (2022: 40.55%).

The applicable rates have been reflected in these financial statements as appropriate.

The effect of temporary differences not recognised of \$41.1m (2022: \$46.5m) includes:

- a \$0.7m (2022: \$33.8m) movement in the year in respect of the unrecognised deferred tax asset on UK ring-fence corporation tax losses, energy (oil and gas) profits levy losses, supplementary charge tax and oil and gas investment allowances;
- a \$17.6m (2022: \$(10.0)m) movement in the year in respect of unrecognised deferred tax assets on Egypt oil and gas assets and tax losses;
- a \$(0.2)m (2022: \$4.7m) movement in the year in respect of UK tax losses and other temporary differences arising in the year on which no deferred tax asset was recognised; and
- a \$4.9m (2022: 18.0m) movement in the year in respect of overseas tax losses and other temporary differences arising in the year on which no deferred tax was recognised.

The effect of permanent items non-deductible of \$6.9m (2022: \$6.9m) includes:

- \$2.2m (2022: \$2.2m) in respect of share-based payment charges;
- \$(3.5)m (2022: \$(5.1)m) predominantly in respect on non-taxable adjustments related to foreign exchange and tax relief on exercised share options;
- \$10.8m (2022: \$9.3m) in respect of costs in Egypt considered non-deductible for tax purposes;
- \$(1.7)m (2022: \$(3.4)m) in respect of overseas costs considered non-deductible/taxable; and
- \$6.4m (2022: \$3.9m) in respect of other permanent items considered non-deductible.

5.3 Deferred Tax Assets and Liabilities

Reconciliation of movement in deferred tax assets/(liabilities):

	Temporary difference in respect of non-current assets (restated) \$m	Losses (restated) \$m	Other temporary differences \$m	Total (restated) \$m
Deferred tax assets				
At 1 January 2022	–	–	–	–
Deferred tax credit through the Income Statement – continuing operations	8.7	–	–	8.7
At 31 December 2022	8.7	–	–	8.7
Deferred tax charge through the Income Statement – continuing operations	(1.1)	–	–	(1.1)
At 31 December 2023	7.6	–	–	7.6
Deferred tax liabilities				
At 1 January 2022	(58.8)	16.2	(0.1)	(42.7)
Deferred tax (charge)/credit through the Income Statement – continuing operations	34.5	(16.2)	0.1	18.4
Deferred tax (charge)/credit through the Income Statement – discontinued operations	–	9.1	(13.2)	(4.1)
At 31 December 2022	(24.3)	9.1	(13.2)	(28.4)
Deferred tax credit through the Income Statement – continuing operations	14.8	–	–	14.8
Deferred tax (charge)/credit through the Income Statement – discontinued operations	–	(9.1)	13.2	4.1
At 31 December 2023	(9.6)	–	–	(9.6)

Deferred tax assets analysed by country:

	As at 31 December 2023 \$m	As at 31 December 2022 (restated) \$m
Egypt	7.6	8.7
	7.6	8.7

Deferred tax liabilities analysed by country:

	As at 31 December 2023 \$m	As at 31 December 2022 (restated) \$m
Egypt	(9.6)	(24.1)
UK	–	(4.1)
	(9.6)	(28.4)

SECTION 5 – TAXATION CONTINUED

5.3 Deferred Tax Assets and Liabilities continued

Recognised deferred tax assets

Egypt

Deferred tax assets of \$7.6m (2022: \$8.7m) have been recognised in respect of Egypt oil and gas non-current assets temporary differences of \$18.7m (2022: \$21.5m) on two concessions as future profits are expected to be available on those concessions to recover the value of the assets.

At the balance sheet date the Group has \$33.0m (2022: \$24.7m) temporary differences in respect of Egypt non-current assets and \$38.6m (2022: \$27.4m) Egypt tax losses, which can be offset against future oil and gas profits in Egypt. No deferred tax asset has been recognised in respect of these temporary differences as it is not considered probable that these amounts will be utilised in future periods.

Deferred tax liabilities

Egypt

Deferred tax liabilities of \$9.6m (2022: \$28.4m) have been recognised across six concessions in respect of taxable temporary differences of \$39.7m (2022: \$66.0m) related to Egypt oil and gas non-current assets. No tax losses are available to offset these taxable temporary differences.

UK

In 2022, a deferred tax liability of \$4.1m was recognised in respect of earnout consideration due in relation to the disposal of UK oil and gas producing assets. Following settlement of the earnout in 2023 (see note 6.1) the chargeable gain arising has been fully sheltered by available tax losses and no tax charge arises. The deferred tax liability has therefore been reversed in full.

Unrecognised deferred tax assets

No deferred tax asset has been recognised on the following as it is not considered probable that it will be utilised in future periods:

	At 31 December 2023 \$m	At 31 December 2022 (restated) \$m
UK RFCT trading losses	244.6	278.0
UK SCT loss	253.1	274.1
UK other ring fence temporary differences	626.4	609.5
UK excess management expenses	414.6	354.9
UK non-trade deficits	79.6	80.6
UK temporary differences on share-based payments	34.0	39.5
UK disallowed tax interest expenses	11.3	19.9
UK temporary difference on financial asset held at fair value	–	0.5
Egypt fixed asset temporary differences	20.9	24.7
Egypt ring fence corporation tax trading losses	29.7	27.4
Mexico tax losses and other temporary differences	251.3	196.5

SECTION 6 – DISCONTINUED OPERATIONS

This section contains details of the loss from discontinued operations in the year, primarily arising on earnout consideration due on disposal of the Group's UK producing assets in 2021 and the revised terms on the agreement in 2023.

Significant Accounting Judgements in this Section

Senegal tax assessment

On 14 November 2023, Capricorn received notification of tax assessment raised in Senegal against Woodside Petroleum. The claim contains two items that Capricorn is responsible for under the agreement for the sale of the assets from Capricorn to Woodside, with a total claim of \$43.5m including interest and penalties. Capricorn strongly refutes that any tax is due and will robustly defend the Group's position. At the balance sheet date, no provision has been made in the financial statements, with further disclosures of this contingent liability in note 6.4.

6.1 (Loss)/Profit from Discontinued Operations

Settlement of earnout consideration due

On 2 November 2021, Capricorn completed the sale of its interests in the UK Catcher and Kraken producing assets to Waldorf Production Limited ("Waldorf").

Consideration under the agreement included contingent consideration ('earnout consideration') dependent on oil prices from 2021 to the end of 2025 and minimum production levels being achieved. The first annual payment of earnout consideration of \$75.8m due on 2021 production was received in 2022. The second annual payment of \$134.4m due on 2022 production was settled in March 2023.

On 18 December 2023, Capricorn entered into a settlement agreement with Waldorf for the full and final settlement of the remaining earnout consideration due. Under the agreement, Capricorn received an initial payment of \$48.0m in December 2023, with a further \$2.0m to be received at the end of Q1 2024. An additional payment of \$22.5m is due in early January 2025 and Capricorn will also receive Waldorf's 25% non-operated WI in the Columbus gas field, subject to the necessary approvals. As at 31 December 2023, the balance of \$7.0m has been recognised as a long term receivable relating to the transfer of the Columbus asset.

At the date of the settlement agreement, the fair value of the earnout was \$79.3m, a fall of \$10.4m across the year, reflecting oil price movements. With combined proceeds from the settlement agreement of \$77.6m, after adjusting for expected credit losses of \$1.9m, the Group recorded a loss on the settlement of the earnout of \$1.7m.

A breakdown of the total profit from discontinued operations is as follows:

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Cost of Sales		
Cost of sales – recovery of production costs	4.3	1.5
Operating profit	4.3	1.5
(Loss)/Gain on financial asset at fair value through profit or loss – earnout consideration	(10.4)	110.4
Loss on disposal of a financial asset	(1.7)	–
Finance income	2.3	1.5
(Loss)/Profit before tax from discontinued operations	(5.5)	113.4
Tax credit/(charge)	4.1	(4.1)
(Loss)/Profit after tax from discontinued operations	(1.4)	109.3
	2023	2022
	\$	\$
(Loss)/Earnings per share for (loss)/profit from discontinued operations		
(Loss)/Profit per ordinary share – basic and diluted (\$)	(0.01)	0.31

An audit of the Kraken and Catcher joint operations for the period from January 2019 to December 2020 resulted in a refund of production costs from the operator of \$4.3m and \$1.5m, which has been credited to discontinued operations in 2023 and 2022 respectively.

The fair value loss in 2023 is mainly due to lower oil prices in comparison to 2022.

SECTION 6 – DISCONTINUED OPERATIONS CONTINUED

6.2 Cash Flow Information for Discontinued Operations

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Net cash flows from/(used in) operating activities	4.3	(9.6)
Net cash flows from investing activities	184.7	77.2
Net increase in cash and cash equivalents	189.0	67.6

The 2022 earnout of \$134.4m and related interest payment of \$2.3m were received in March 2023. In December 2023, a further settlement of \$48.0m was received following the settlement with Waldorf (see note 6.1). The 2021 earnout of \$75.7m and interest of \$1.5m was received in June 2022.

6.3 Discontinued Operations – Senegal Contingent Asset

In December 2020, Capricorn disposed of its entire 40% working interest in its Senegal exploration and development assets.

Further deferred consideration of up to \$50.0m is due, dependant on the timing of first oil production from the assets and on the average Brent oil price during the first six months of production. Assuming average Brent oil prices remain above \$60/bbl during the first six months of production, Capricorn will receive \$50.0m if first oil production is achieved by June 2024. No payment is due if first oil production occurs after this time.

In accordance with IFRS 15, no amount is recognised at the balance sheet date as there is no reasonable certainty that any revenue recorded would not reverse in future periods.

6.4 Discontinued Operations – Senegal Contingent Liability

On 14 November 2023, Capricorn received notification that Woodside Energy (“Woodside”) had received a notice from the Senegalese Tax Authority. The notice from the Senegalese Tax Authority states that:

- Senegalese registration duty (\$29.0m including interest and penalties) should have been paid on the transfer (in December 2020) by Capricorn to Woodside of its PSC interests offshore Senegal; and
- Senegalese real estate capital gains tax (\$14.5m including interest and penalties) should have been withheld by Woodside from the price paid to Capricorn in respect of the sale of those PSC interests.

Under the terms of the sale agreement between Capricorn and Woodside, Capricorn is responsible for any registration duty and for any capital gains tax arising in connection with the sale of the PSC interests.

Capricorn’s analysis remains that no Senegalese registration duty or capital gains tax is payable, based on analysis at the time of the transaction. Capricorn will continue to vigorously defend its position on this matter, including exercising rights under the sale agreement to participate in the defence of any such claim.

SECTION 7 – CAPITAL STRUCTURE AND OTHER DISCLOSURES

This section includes details of Capricorn's issued share capital and equity reserves.

Other disclosures include details on the independent auditors' remuneration. Details on the Group's policy on the award of non-audit work to the independent auditors can be found in the Report of the Audit Committee.

Significant accounting judgements and key estimates and assumptions in this section:

There are no significant accounting judgements or key estimates and assumptions in this section.

7.1 Issued Capital and Reserves

Called-up share capital

	Number 21/13p ordinary '000	Number 490/143p ordinary '000	Number 735/143p ordinary '000	21/13p ordinary \$m	490/143p ordinary \$m	735/143p ordinary \$m
Allotted, issued and fully paid ordinary shares						
At 1 January 2022	496,847	–	–	12.6	–	–
Issued and allotted for employee share options pre-consolidation	677	–	–	–	–	–
Share repurchase	(182,452)	–	–	(4.6)	–	–
At 31 December 2022	315,072	–	–	8.0	–	–
Share consolidation – 15 May 2023	(315,072)	148,534	–	(8.0)	8.0	–
Share repurchase	–	(5,697)	–	–	(0.3)	–
Share consolidation – 5 October 2023	–	(142,837)	95,225	–	(7.7)	7.7
Share repurchase	–	–	(1,447)	–	–	(0.1)
At 31 December 2023	–	–	93,778	–	–	7.6

Share premium

	2023 \$m	2022 \$m
At 1 January	495.4	490.9
Share premium cancellation	(495.4)	–
Arising on shares issued for employee share options	0.8	4.5
At 31 December	0.8	495.4

The Company does not have a limited amount of authorised share capital.

A shareholder vote took place on 15 December 2022 approving the cancellation of the Company's share premium account. The cancellation received the required confirmation from the Court of Session on 27 January and was registered with the Registrar of Companies (and therefore took effect) on 31 January 2023. The full amount of the Company's share premium at 31 December 2022 transferred to retained earnings on the effective date.

Capricorn completed a tender offer on 6 April 2022. Under the terms of the tender offer, 171,073,128 ordinary shares were purchased at the strike price of 223 pence per share, with a total value of £381.5m (\$498.6m). On 15 November 2021, Capricorn commenced a repurchase programme of £20.0m. This ran until the end of February 2022. A further repurchase programme commenced on 7 April 2022 of up to \$25.0m, which completed in July 2022. Neither repurchase programmes was fully utilised. The combined tender offer and share repurchases reduced share capital by \$4.6m, with a further reduction in retained earnings of \$511.5m. The share repurchase in retained earnings also includes stamp duty and costs associated with the tender offer and share repurchases.

On 27 April 2023, the Company announced a further share buyback programme of up to \$25m, which commenced in May 2023. A total of 7,143,720 shares were repurchased throughout 2023. The total value of the ordinary shares purchased was £14.2m (\$16.9m), with a \$0.4m reduction in share capital and a reduction of \$1.0m to retained earnings after stamp duty and costs.

During 2023, the Company paid dividends to shareholders of approximately \$450m and \$100m to shareholders in May and October respectively. See note 7.2. The \$ amounts were converted into £ ahead of each dividend. Exchange movements from the date of conversion to the date of payment reduced the \$ equivalent of the dividends to \$541.1m. Accompanying each return, the Company undertook a share consolidation which, together with the share repurchases reduced the number of ordinary shares issued to 93.7m at 31 December 2023.

a) Shares held by ESOP Trust

The cost of shares held by the ESOP Trust at 31 December 2023 was \$5.1m (2022: \$6.9m). The number of shares held by the Trust at 31 December 2023 was 1,008,584 (2022: 2,632,826) and the market value of these shares was £1.7m/\$2.2m (2022: £6.9m/\$8.3m). During 2023, the Group purchased 7,364,197 (2022: 7,158,195) shares at a cost of \$20.4m (2022: \$19.8m). During 2023, the Group sold 404,973 (2022: \$nil) shares at price of \$0.9m (2022: \$nil). During 2023, 4,159,174 (2022: 7,595,567) shares vested and 25,000 (2022: 520,000) shares were transferred from the ESOP Trust to the SIP Trust. During 2023, 1,856,663 shares were created on share consolidation.

b) Shares held by SIP Trust

The cost of shares held by the SIP Trust at 31 December 2023 was \$1.2m (2022: \$8.4m). The number of shares held by the Trust at 31 December 2023 was 124,693 (2022: 2,758,656) and the market value of these shares was £0.2m/\$0.3m (2022: £7.2m/\$8.7m).

SECTION 7 – CAPITAL STRUCTURE AND OTHER DISCLOSURES CONTINUED

7.1 Issued Capital and Reserves continued

c) Foreign currency translation

Unrealised foreign exchange gains and losses arising on consolidation of non-\$ functional currency subsidiary undertakings are taken directly to reserves. Foreign exchange differences arising on intra-group loans are not eliminated on consolidation; this reflects the exposure to currency fluctuations where the subsidiaries involved have differing functional currencies. These intra-group loans are not considered to be an investment in a foreign operation.

d) Merger and capital reserves

Capital reserves of \$45.9m (2022: \$45.5m) include amounts arising on various Group acquisitions and transactions and the capital redemption reserve arising from the 2013-2014 share repurchase programme. Capital reserves of \$4.6m and \$0.4m arose on the share repurchase programme which ran from April to July 2022 and from May to December 2023 respectively. \$5.8m of capital reserves relates directly to Capricorn Energy PLC, the Company.

7.2 Return of Cash to Shareholders

In 2023, Capricorn announced the proposal to return approximately \$568m to shareholders via a special dividend.

The first return of cash to shareholders of 115 pence per eligible ordinary share totalling £359.1m was paid to shareholders on 15 May 2023. The second return of cash to shareholders of 56 pence per eligible ordinary share totalling £79.3m was paid to shareholders on 20 October 2023. The total return to shareholders, after exchange differences from the date of conversion from \$ to £ and associated costs, was \$560.0m.

7.3 Capital Management

The objective of the Group's capital management structure is to ensure that there remains sufficient liquidity within the Group to carry out committed work programme requirements. The Group monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility. The Group is subject to biannual forecast liquidity tests as part of the Senior and Junior Debt Facilities. The Group has complied with the capital requirements of these tests at all times during the year. However, the Board has made clear that no further investment will be made from the Group into the Egypt business, which must generate its own cash flows to fund future work programmes and debt repayments.

Capricorn manages the capital structure and makes adjustments to it in light of changes to economic conditions. To maintain or adjust the capital structure, Capricorn may repurchase shares, make a special dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or undertake other such restructuring activities as appropriate. No significant changes were made in the objectives, policies or processes during the year ended 31 December 2023, other than the funding of the Egypt business noted above.

Capital and net funds, including lease liabilities, was as follows:

	At 31 December 2023 \$m	At 31 December (restated) 2022 \$m
Loans and borrowings	111.8	158.6
Lease liabilities	7.4	4.3
Less cash and cash equivalents	(189.5)	(756.8)
Net funds	(70.3)	(593.9)
Equity	406.5	1,121.6
Capital and net funds	336.2	527.7
Gearing ratio	–	–

7.4 Guarantees

It is normal practice for the Group to issue guarantees in respect of obligations during the ordinary course of business. Guarantees are issued from a number of bilateral unsecured lines.

The Group has provided the following guarantees at 31 December 2023:

- various guarantees for the Group's operational commitments for the current year of \$27.6m (2022: \$69.1m); and
- Parent company guarantees for the Group's obligations under joint operating agreements and other contracts.

Under the terms of the facilities entered into in connection with the Group's Egypt assets, Capricorn Egypt Limited and Cheiron Oil & Gas Limited, as borrowers, jointly and severally guarantee performance of their obligations to each lender. This includes an undertaking to pay each lender whenever another obligor does not pay any amount, as if it was the principal obligor. As a result, Capricorn Egypt Limited and Capricorn Egypt (Holding) Limited have provided guarantees in respect of the obligations owed to the lenders by Capricorn Egypt and the joint venture counterparty, Cheiron.

SECTION 7 – CAPITAL STRUCTURE AND OTHER DISCLOSURES CONTINUED

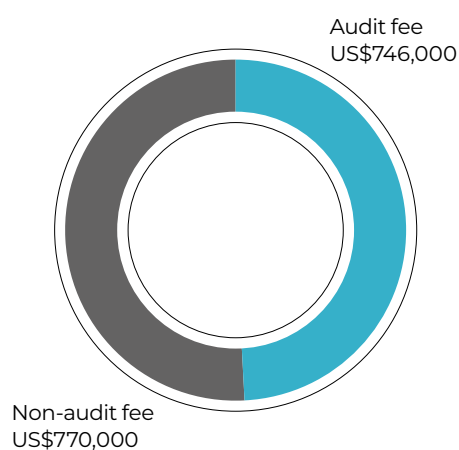
7.5 Auditors' Remuneration

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Fees payable to the Group's external auditors (including associate firms) for:		
<i>Audit fees:</i>		
Auditing of the Financial Statements of the Group and the Company	485	463
Auditing of the Financial Statements of subsidiaries	261	674
	746	1,137
<i>Non-audit fees:</i>		
Audit-related assurance services	141	248
Other assurance services relating to corporate finance transactions	629	173
Other non-audit services not included above	–	125
	770	546
Total fees	1,516	1,683

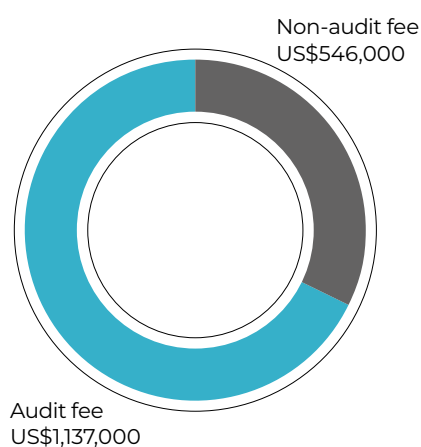
The Group has a policy in place for the award of non-audit work to the auditors which requires Audit Committee approval (see the Audit Committee Report on page 75). Non-audit fees incurred in the year were permissible services under the FRC Ethical Standard, including services required by law and regulations.

The split of audit fees to non-audit fees payable to the auditors is as follows:

2023 Fees to the Auditors



2022 Fees to the Auditors



COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 \$m	2022 \$m
Non-current assets			
Investments in subsidiaries	8.2	334.1	597.8
Long-term intercompany receivables	8.3	5.7	6.0
		339.8	603.8
Current assets			
Cash and cash equivalents	8.4	48.0	630.1
Other receivables	8.5	30.0	18.8
		78.0	648.9
Total assets		417.8	1,252.7
Current liabilities			
Bank overdraft	8.4	0.2	-
Lease liability		0.6	1.1
Trade and other payables	8.6	1.0	4.4
		1.8	5.5
Non-current liabilities			
Lease liability	8.7	5.7	-
		5.7	-
Total liabilities		7.5	5.5
Net assets		410.3	1,247.2
Equity			
Called-up share capital	7.1	7.6	8.0
Share premium	7.1	0.8	495.4
Shares held by ESOP/SIP Trusts	7.1a,b	(6.3)	(15.3)
Capital reserves	7.1d	5.8	5.4
Retained earnings:			
At 1 January		753.7	615.3
(Loss)/Profit for the year		(260.7)	661.4
Other movements in retained earnings		(90.6)	(523.0)
		402.4	753.7
Total equity		410.3	1,247.2

The Financial Statements on pages 166 to 174 were approved by the Board of Directors on 28 March 2024 and signed on its behalf by:



Randy Neely
Chief Executive

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$m	2022 \$m
Cash flows from operating activities:			
(Loss)/Profit before taxation		(260.7)	661.4
Share-based payments (reverse)/charge		(2.2)	1.5
Impairment of investment in subsidiary		268.3	566.2
Finance income		(26.6)	(1,254.3)
Finance costs		1.1	6.0
Provision against receivable		4.4	–
Other receivables movement		0.4	(4.0)
Trade and other payables movement		(2.0)	1.2
Net cash used in operating activities		(17.3)	(22.0)
Cash flows from investing activities:			
Dividend received	8.9	–	1,056.4
Group funding		7.6	102.3
Interest received and other finance income		9.6	7.6
Net cash flows from investing activities		17.2	1,166.3
Cash flows from financing activities:			
Return of cash to shareholders		(542.1)	–
Share repurchase		(18.9)	(528.6)
Other interest and charges		(0.3)	(0.2)
Cost of shares purchased	7.1a	(19.5)	(19.8)
Proceeds from issue of shares		0.8	4.5
Lease payments		(1.2)	(1.7)
Net cash flows used in financing activities		(581.2)	(545.8)
Net (decrease)/increase in cash and cash equivalents		(581.3)	598.5
Foreign exchange differences		(1.0)	(0.5)
Opening cash and cash equivalents at beginning of year		630.1	32.1
Closing cash and cash equivalents including bank overdraft	8.4	47.8	630.1

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Equity share capital and share premium \$m	Shares held by ESOP/SIP Trusts \$m	Merger and capital reserves \$m	Retained earnings \$m	Total equity \$m
At 1 January 2022	503.5	(17.5)	0.8	615.3	1,102.1
Profit for the year	–	–	–	661.4	661.4
Total comprehensive income	–	–	–	661.4	661.4
Share-based payments	–	–	–	10.5	10.5
Exercise of employee share options	4.5	–	–	–	4.5
Share repurchase	(4.6)	–	4.6	(511.5)	(511.5)
Cost of shares purchased	–	(19.8)	–	–	(19.8)
Cost of shares vesting	–	22.0	–	(22.0)	–
At 31 December 2022	503.4	(15.3)	5.4	753.7	1,247.2
Loss for the year	–	–	–	(260.7)	(260.7)
Total comprehensive expense	–	–	–	(260.7)	(260.7)
Return of cash to shareholders	–	–	–	(541.1)	(541.1)
Share premium cancelled	(495.4)	–	–	495.4	–
Share-based payments	–	–	–	2.5	2.5
Exercise of employee share options	0.8	–	–	–	0.8
Share repurchase	(0.4)	–	0.4	(18.9)	(18.9)
Cost of shares purchased	–	(19.5)	–	–	(19.5)
Cost of shares vesting	–	28.5	–	(28.5)	–
At 31 December 2023	8.4	(6.3)	5.8	402.4	410.3

SECTION 8 – NOTES TO THE COMPANY FINANCIAL STATEMENTS

This section contains the notes to the Company Financial Statements.

The issued capital and reserves of the Company are largely consistent with the Capricorn Energy PLC Group Financial Statements, as per note 7.1.

Key estimates and assumptions in this section:

Impairment testing of investments in subsidiaries

The Company's investment in Capricorn Oil Limited has been tested for impairment by comparison against the fair value of intangible exploration/appraisal assets, property, plant & equipment – development/producing assets and working capital, including cash and cash equivalents and intercompany receivables, held within the Capricorn Oil Limited sub-group. The fair value of oil and gas assets is calculated using the same assumptions as noted in section 2.

8.1 Basis of Preparation

The Financial Statements of Capricorn Energy PLC have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Company applies accounting policies consistent with those applied by the Group. To the extent that an accounting policy is relevant to both Group and Company Financial Statements, refer to the Group Financial Statements for disclosure of the accounting policy. Material policies that apply to the Company only are included as appropriate.

Capricorn has used the exemption granted under S408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the Parent company.

8.2 Investments in Subsidiaries

Accounting policy

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment the carrying value of the investment is compared to its recoverable amount, being its fair value less costs of disposal. The fair value includes the discounted future net cash flows of oil and gas assets held by the subsidiary, using estimated cash flow projections over the licence period.

Discounted future net cash flows are calculated using an estimated short-term oil price based on the forward curve and long-term oil price of \$60/bbl unescalated (2022: \$60/bbl unescalated), escalation for costs of 3.0% (2022: 4.0%) and a discount rate of 15% (2022: 10%). Full details on the assumptions used for valuing oil and gas assets can be found in section 2.

SECTION 8 – NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8.2 Investments in Subsidiaries continued

	Subsidiary undertakings \$m	Total \$m
Cost		
At 1 January 2022	3,709.7	3,709.7
Additions	8.9	8.9
At 31 December 2022	3,718.6	3,718.6
Additions	4.6	4.6
At 31 December 2023	3,723.2	3,723.2
Impairment		
At 1 January 2022	2,554.6	2,554.6
Impairment charge	566.2	566.2
At 31 December 2022	3,120.8	3,120.8
Impairment charge	268.3	268.3
At 31 December 2023	3,389.1	3,398.1
Net book value		
At 31 December 2021	1,155.1	1,155.1
At 31 December 2022	597.8	597.8
At 31 December 2023	334.1	334.1

Additions during the year of \$4.6m (2022: \$8.9m) relate to the Company's investment in Capricorn Oil Limited. These represent share awards made by the Company to the employees of Capricorn Energy Holdings Limited (a principal subsidiary of Capricorn Oil Limited).

At the year end, investments in subsidiaries were reviewed for indicators of impairment and impairment tests conducted where indicators were identified. Following this review, the Company's investment in Capricorn Oil Limited was impaired to reflect the fair value of the underlying assets of the Capricorn Oil Group. A charge of \$268.3m was made to the Income Statement in 2023 (2022: \$178.5m). The fall in the value of the investments in the Capricorn Oil Group principally reflects reduction due to distributions by the subsidiary and a reduction in the value of the Group's producing assets. The carrying value of investments in subsidiaries at 31 December 2023 represents the Company's investment in Capricorn Oil Limited. Investments in Capricorn Senegal (Holding) Limited and Capricorn Energy Investments Limited are carried at nominal values.

In 2022, the Company's investment in Cairn UK Holdings Limited was fully impaired resulting in a charge to the Income Statement of \$387.7m. This subsidiary now holds no value following the distribution of the India tax refund to Capricorn Energy PLC on receipt of the payment.

The recoverable value of the assets of Capricorn Oil Limited used in the impairment test is based on the fair value of the producing assets adjusted by deferred consideration payment and trade payables and receivables, other long-term receivables, market value of tangible assets held by its subsidiaries, cash and cash equivalent held.

SECTION 8 – NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8.2 Investments in Subsidiaries continued

The Company's subsidiaries as at the balance sheet date are set out below. The Company holds 100% of the voting rights and beneficial interests in the ordinary shares of the following companies:

Direct holdings

	Business	Country of incorporation	Country of operation	Registered office address
Cairn UK Holdings Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Energy Investments Limited ²	Investment	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Oil Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Senegal (Holding) Limited	Holding company	England	Scotland	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY

Indirect holdings

	Business	Country of incorporation	Country of operation	Registered office address
Agora Oil and Gas (UK) Limited	Exploration	Scotland	UK	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Americas Limited ²	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Côte d'Ivoire Limited	Exploration	Scotland	Côte d'Ivoire	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Egypt (Holding) Limited	Holding company	England	UK	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY
Capricorn Egypt Limited	Exploration	England	Egypt	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY
Capricorn Energy Holdings Limited	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Energy Mexico S. de R.L. de C.V.	Exploration	Mexico	Mexico	Avenida Paseo de la Reforma 295, Piso 10, Oficina 1903, Colonia Cuauhtémoc, Mexico
Capricorn Energy Search Limited ¹	Exploration	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Energy UK Limited	Exploration	England	UK	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY
Capricorn Exploration and Development Company Limited ¹	Exploration	Scotland	Morocco	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Ireland Limited ¹	Exploration	Scotland	Republic of Ireland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn ISR Production Limited Partnership	Limited Partnership company	Israel	Israel	Vitania Tel-Aviv Tower, 20 Haharash St. TLV Israel, 6761310
Capricorn Low Carbon Solutions Limited ²	Carbon trading	England	UK	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY
Capricorn Mauritania Limited	Exploration	Scotland	Mauritania	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Nicaragua BV	Exploration	The Netherlands	Non-trading	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Offshore Exploration Limited	Exploration	Scotland	Israel	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Oil and Gas Tunisia GmbH ¹	Non-trading	Switzerland	Non-trading	Gubelstrasse 5, Postfach 1524, CH-6301 Zug, Switzerland
Capricorn Petroleum Limited ²	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Production (Holdings) Limited ³	Holding company	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Production I Limited ³	Dormant	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Production II Limited ³	Dormant	Scotland	Scotland	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Resources Management Limited ²	Royalty interest	Scotland	Mongolia	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Senegal Limited	Exploration	Scotland	Senegal	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Spain Limited ¹	Exploration	Scotland	Spain	50 Lothian Road, Edinburgh, EH3 9BY
Capricorn Suriname BV	Exploration	The Netherlands	Suriname	50 Lothian Road, Edinburgh, EH3 9BY
Nautical Holdings Limited ¹	Holding company	England	UK	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY
UAH Limited ¹	Holding company	England	UK	Connect House 133-137 Alexandra Road, Wimbledon, London, SW19 7JY

(1) Company is in the process of liquidation.

(2) Exempt from audit under Section 479 of the Companies Act.

(3) Exempt from audit under Section 480 of the Companies Act.

SECTION 8 – NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8.3 Long-Term Intercompany Receivables

	At 31 December 2023 \$m	At 31 December 2022 \$m
Long-term intercompany receivables	5.7	6.0
	5.7	6.0

Long-term intercompany receivables include amounts due from Capricorn Energy Holdings Limited of \$5.7m (2022: \$nil) and Capricorn Energy Investments Limited of \$nil (2022: \$6.0m).

8.4 Cash and Cash Equivalents

	At 31 December 2023 \$m	At 31 December 2022 \$m
Cash at bank	–	8.6
Bank deposits less than three months	–	298.0
Money market funds	48.0	323.5
Cash and cash equivalent	48.0	630.1
Bank overdraft	(0.2)	–
Net cash balance for cash flow purposes	47.8	630.1

At 31 December 2023, \$5.0m (2022: \$7.9m) of cash and cash equivalents are restricted and not available for immediate ordinary business use. See note 3.1 for details on the placing of surplus funds on deposit and money market funds.

8.5 Other Receivables

	At 31 December 2023 \$m	At 31 December 2022 \$m
Other receivables	1.1	4.4
Amounts receivable from subsidiary undertakings	28.9	14.3
Prepayments	–	0.1
	30.0	18.8

8.6 Trade and Other Payables

	At 31 December 2023 \$m	At 31 December 2022 \$m
Trade and other payables	0.1	0.2
Amounts payable to subsidiary undertakings	–	0.4
Accruals	0.9	3.8
	1.0	4.4

8.7 Financial Instruments

Set out below is the comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the Financial Statements. The fair value of financial assets and liabilities has been calculated by discounting the expected future cash flows at prevailing interest rates.

Financial assets

	At 31 December 2023 \$m	At 31 December 2022 \$m
Carrying amount and fair value		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	48.0	630.1
Other receivables – amounts receivable from subsidiary undertakings	28.9	14.3
Other receivables	1.1	4.4
Long-term intercompany receivables	5.7	6.0
	83.7	654.8

For all financial assets held at amortised cost, their carrying amount is considered to be the same as their fair value.

SECTION 8 – NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8.7 Financial Instruments continued

Maturity analysis of financial assets

The expected financial maturity of the Company's financial assets at 31 December 2023 is as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial assets at amortised cost</i>				
Cash and cash equivalents	48.0	–	–	–
Other receivables – amounts receivable from subsidiary undertakings	28.9	–	–	–
Other receivables – other	1.1	–	–	–
Long-term intercompany receivables	–	1.0	2.9	1.8
	78.0	1.0	2.9	1.8

The expected financial maturity of the Company's financial assets at 31 December 2022 was as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial assets at amortised cost</i>				
Cash and cash equivalents	630.1	–	–	–
Other receivables – amounts receivable from subsidiary undertakings	14.3	–	–	–
Other receivables – other	4.4	–	–	–
Long-term intercompany receivables	–	–	6.0	–
	648.8	–	6.0	–

Financial liabilities

	At 31 December 2023 \$m	At 31 December 2022 \$m
<i>Carrying amount and fair value</i>		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	0.1	0.2
Bank overdraft	0.2	–
Amounts payables to subsidiary undertakings	–	0.4
Accruals	0.7	3.8
Lease liability	6.3	1.1
	7.3	5.5

Maturity analysis of financial liabilities

The expected financial maturity of the Company's financial liabilities at 31 December 2023 is as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	0.1	–	–	–
Bank overdraft	0.2	–	–	–
Accruals	0.7	–	–	–
Lease liability	0.6	1.0	3.0	1.7
	1.6	1.0	3.0	1.7

The expected financial maturity of the Company's financial liabilities at 31 December 2022 was as follows:

	<1 year \$m	1–2 years \$m	2–5 years \$m	>5 years \$m
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	0.2	–	–	–
Amounts payable to subsidiary undertakings	0.4	–	–	–
Accruals	3.8	–	–	–
Lease liability	1.1	–	–	–
	5.5	–	–	–

Financial risk management: risk and objectives

The Company's financial risk management policies and objectives are consistent with those of the Group detailed in note 3.8.

The Company is not exposed to material foreign currency exchange rate risk.

SECTION 8 – NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8.8 Capital Management

Capital and net (funds)/debt were made up as follows:

	At 31 December 2023 \$m	At 31 December 2022 \$m
Continuing operations		
Amounts payable to subsidiary undertakings	–	0.4
Lease liability	6.3	1.1
Less cash and cash equivalents	(47.8)	(630.1)
Net funds	(41.5)	(628.6)
Equity	410.3	1,247.2
Capital and net funds	368.8	618.6
Gearing ratio	–	–

8.9 Related Party Transactions

The Company's subsidiaries are listed in note 8.2. The following table provides the Company's balances, which are outstanding with subsidiary undertakings at the balance sheet date:

	At 31 December 2023 \$m	At 31 December 2022 \$m
Amounts payable to subsidiary undertakings	–	(0.4)
Amounts receivable from subsidiary undertakings	34.6	20.3
	34.6	19.9

The amounts outstanding are unsecured, repayable on demand and will be settled in cash.

The following table provides the Company's transactions with subsidiary undertakings recorded in the profit/(loss) for the year:

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Amounts invoiced to subsidiaries	1.1	21.8
Amounts invoiced by subsidiaries	4.1	5.1

Directors' remuneration

The remuneration of the Directors of the Company is set out below. Further information about individual Directors' remuneration is provided in the audited section of the Directors' Remuneration Report on pages 80 to 107.

	Year ended 31 December 2023 \$m	Year ended 31 December 2022 \$m
Emoluments	2.1	2.5
Share-based payments	0.1	2.1
	2.2	4.6

Pension contributions of \$0.1m (2022: \$0.2m) were made on behalf of Directors in 2023.

No LTIP share awards to Directors vested during 2023 (2022: 837,004). Share-based payments disclosed above represent the market value at the vesting date of these awards in that year.

A stand-alone agreement and 228,175 shares were awarded to a Director in February 2023; 153,159 shares lapsed in July 2023, the remaining of 75,016 shares were exercised at £1.87 in July 2023.

Other transactions

During the year the Company did not make any purchases in the ordinary course of business from an entity under common control (2022: \$nil).

In February 2022, the Company received a dividend payment of \$1,056.4m from Cairn UK Holdings Limited following the receipt of the India tax refund into that subsidiary.

In November 2022, the Company received a dividend from its subsidiary, Capricorn Oil Limited, of \$187.4m, all of which was offset against previous borrowings.

LICENCE LIST AS AT 31 DECEMBER 2023

Country	Asset name	Licence/Concession	Block(s)	Operator	Capricorn Energy interest (%)
Egypt	ALAM EL SHAWISH WEST	ALAM EL SHAWISH	AL ASSIL, AL BARQ, AL KARAM, AL MAGD, BAHGA	CHEIRON (20%)	20
Egypt	BADR EL DIN	BADR EL DIN	BED-19, BED-20	CHEIRON (50%)	50
Egypt	BED 2-17	BED 2-17	BED-2, BED-17	CHEIRON (50%)	50
Egypt	BED-3	BED-3	BED-3	CHEIRON (50%)	50
Egypt	NORTH ALAM EL SHAWISH	NORTH ALAM EL SHAWISH	NAES-1	CHEIRON (50%)	50
Egypt	NORTH EAST ABU GHARADIG	NEAG EXTENSION	NEAG-1, NEAG-2, NEAG-3, NEAG-5	CHEIRON (26%)	26
Egypt	NORTH EAST ABU GHARADIG	NEAG TIBA	JG, JD, SHEIBA	CHEIRON (26%)	26
Egypt	NORTH MATRUH	NORTH MATRUH	NORTH MATRUH-1 TEEN	CHEIRON (50%)	50
Egypt	NORTH UM BARAKA	NORTH UM BARAKA	NORTH UM BARAKA, NUMB-1	CHEIRON (50%)	50
Egypt	OBAIYED	OBAIYED	OBAIYED	CHEIRON (50%)	50
Egypt	SITRA	SITRA	SITRA	CHEIRON (50%)	50
Egypt	SOUTH ABU SENNAN*	SOUTH ABU SENNAN	SOUTH ABU SENNAN	CAPRICORN EGYPT LIMITED	50
Egypt	SOUTH EAST HORUS	SOUTH EAST HORUS	SOUTH EAST HORUS	CAPRICORN EGYPT LIMITED	50
Egypt	WEST EL FAYIUM	WEST EL FAYIUM	WEST EL FAYIUM	CAPRICORN EGYPT LIMITED	50
Mexico	BLOCK 7*	CNH-R02-L01-A7.CS-2017	7	ENI (45%)	30
Mexico	BLOCK 10*	CNH-R02-L01-A10.CS/2017	10	ENI (65%)	15

* Notice of withdrawal submitted and in the process of exiting

GROUP RESERVES AND RESOURCES AS AT 31 DECEMBER 2023

Reserves

The Group 2P reserves decreased by 6.4 mmbœ during the year from 27.2 mmbœ at year-end 2022 to 20.8 mmbœ at year-end 2023 on an entitlement interest basis. This was principally due to Egyptian production of 4.4 mmbœ and downward revisions in undeveloped reserves due to lower drilling activity planned during 2024.

Group Proven plus Probable Oil and Gas Reserves (2P)

	Working Interest (WI)			Entitlement Interest (EI)		
	Oil mmbbls	Gas bcf	boe mmbœ	Oil mmbbls	Gas bcf	boe mmbœ
At 1 January 2023	28.3	205.8	65.0	11.8	86.2	27.2
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Additions and Discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Technical Revisions	(3.3)	(5.4)	(4.2)	(1.4)	(3.0)	(2.0)
Commodity Price Revisions	0.0	0.0	0.0	0.0	0.0	0.0
Production	(4.9)	(34.1)	(11.0)	(2.0)	(13.9)	(4.4)
At 31 December 2023	20.1	166.3	49.8	8.4	69.3	20.8

Technical Revisions include the impact of changing methodology and assumptions, as year-end 2022 numbers were based on Capricorn's internal estimates and year-end 2023 reserves are based on the Competent Person's Report compiled for Capricorn by GLJ Ltd.

All 2P Reserves are located within the Western Desert Assets in Egypt.

Sensitivity Analysis Applying IEA Scenario Hydrocarbon and Carbon Prices

Total Group 2P Reserves	WI mmbœ	EI mmbœ
WEO-2023 Stated Policies Scenario (STEPS)	50.0	20.7
WEO-2023 Announced Pledges Scenario (APS)	50.0	20.1
WEO-2023 Net Zero Emissions by 2050 Scenario (NZE)	48.5	20.2

Greenhouse Gas Emissions Associated with 2P Reserves

	WI Mt	EI Mt	EI kg CO ₂ equiv/boe
Estimated Scope 1 emissions	3.3	0.9	47
Estimated Scope 3 emissions*	16.2	7.1	377

* Since Capricorn Energy does not control how its products are utilised, Scope 3 emissions are estimated for Categories 9, 10 & 11 of the GHG Protocol (downstream distribution, refining and use of products assuming all hydrocarbons are combusted).

Subdivision of 2P Reserves

	%
By country	
Egypt	100
Within 20 lowest ranking countries from Transparency International's Corruption Perception Index	0
Within protected conservation areas or habitats	0

Group Contingent Oil and Gas Reserves (2C Development Pending)

	WI mmbœ	EI mmbœ
At 1 January 2023	9.7	3.9
Disposals	0.0	0.0
Acquisitions	0.0	0.0
Discoveries	0.0	0.0
Revisions	0.1	0.0
At 31 December 2023	9.8	3.9

Contingent Resources are based on Capricorn's internal estimates.

WI Working Interest
EI Entitlement Interest
WEO World Energy Outlook 2023, International Energy Agency

GLOSSARY

The following are the main terms and abbreviations used in this report:

2C	Denotes best estimate scenario of contingent resources	N/A	Not applicable
2D	Two dimensional	NEAG	North East Abu Gharadig
2P	Proved plus probable reserves, denotes best estimate scenario	NFA	No Further Activity
3D	Three dimensional	NFE	Near field exploration
AESW	Alam El Shawish West	opex	Operating expenses
AFE	Authorization for Expenditure	PhD	Doctor of Philosophy
AGM	Annual General Meeting	PLC	Public limited company
ALARP	As low as reasonably practicable	RCR	Reserves Conversion Ratio
AQI	Audit Quality Inspection	SAS	South Abu Sennan
BA	Bachelor of Arts	SECR	Streamline Energy and Carbon Reporting
Bapetco	BADR Petroleum Company	SEH	South East Horus
bbl	Barrel	tCO ₂ e	Tonnes of carbon dioxide equivalent
bcf	Billion cubic feet	TRIR	Total recordable injury rate
BED	Badr El Din	UNEP	United Nations Environment Programme's World Conservation Monitoring Centre
boe	Barrels of oil equivalent	WCMC	Conservation Monitoring Centre
boepd	Barrels of oil equivalent per day	UNESCO	The United Nations Educational, Scientific and Cultural Organization
bps	Basis point	VP	Vice President
CCUS	Carbon capture, utilisation and storage	WAEP	Weighted Average Exercise Price
CDP	Carbon Disclosure Project	WAGP	Weight Average Grant Price
CECP	Corporate Environmental & Climate Change Policy	WEF	West El Fayium
CEO	Chief Executive Officer		
CFO	Chief Financial Officer		
CMAPP	Corporate Major Accident Prevention Policy		
CNH	Mexican National Hydrocarbons Commission		
CO ₂	Carbon dioxide		
COO	Chief Operating Officer		
D&I	Diversity and Inclusion		
E&A	Exploration and appraisal		
EBS	Environmental Baseline Survey		
EGPC	Egyptian General Petroleum Corporation		
EIA	Energy Information Administration		
ESIA	Environmental and social impact assessment		
EVP	Executive Vice President		
FTSE	The Financial Times Stock Exchange		
GBP	British pound sterling		
HSSE	Health, Safety, Security and Environment		
IEA STEPS	International Energy Agency's Stated Policies Scenario		
IOGP	International Association of Oil & Gas Producers		
ISO	International Organization for Standardization		
IT	Information Technology		
IUCN	International Union for Conservation of Nature		
LLC	Limited liability company		
LLP	Limited liability partnerships		
LTIF	Lost time injury frequency		
m	Million		
MBA	Master of Business Administration		
mcf	Thousand cubic feet		
mmscf/d	Million standard cubic feet per day		

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