

A Transformational Year

Some 18 months ago, the Board supported management's strategic ambition to focus on short capital cycle, infrastructure-led exploration and selective frontier opportunities. For 2021, we tasked the Management Team with executing that strategy and establishing those building blocks.



Nicoletta Giadrossi
Chair

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The tax refund from the Government of India of more than one billion dollars was a very positive outcome for our shareholders. India has a special place in our Company's history and we can be very proud of the wonderful legacy asset which we created in India, which will continue to provide a significant economic and social contribution to the country for decades to come. Successful resolution of this matter allows the Company to continue its strategy of returning value to shareholders; and with significant retained balance sheet strength, Capricorn is well positioned to further expand the business and build a low cost, sustainable production base.

The acquisition from Shell of the Western Desert portfolio in Egypt was the first step in building out a longer-life production portfolio with attractive growth opportunities, that can deliver diversified and consistent cash flow streams. The shift in our philosophy from frontier-focused to infrastructure-led exploration, offers a lower risk profile with the potential for fast-track monetisation, leveraging many of Capricorn's key competencies and continuing to add reserves and resources.

The other key feature of our refocused strategy is to place an even greater emphasis on our sustainability criteria. This has always been present in Capricorn's approach, but it is now even more at the forefront of our decision-making, both in terms of how we shape our portfolio and in the way that we operate. We have significantly strengthened the team with key appointments in this area and ensured that we have sufficient expertise to support our strategic framework.

The Board has made these issues a priority over the past year. Our decarbonisation strategy, the progress that we are making against our roadmap, and how this might be accelerated are on the agenda at each Board meeting. I see our job as creating the space for the Management Team to deliver our sustainability roadmap – this is a key component and decision criterion in our growth strategy. We are aware that this is not a process with a short time frame, but one that will continue to develop over the coming years, and it is one that the Board has made an absolute priority to address.

Few other E&P companies have been able to weather the cyclical nature of our markets with such resilience or have been able to continue to make investments that have generated rewards for shareholders in the same way as Capricorn. I believe we have also been able to create strong partnerships in the communities where we have been present, whether in India, Senegal, or now in Egypt and elsewhere, to create value not just for shareholders but for society. This is a core part of Capricorn's model.

We engaged widely and transparently with our investors last year on this and other topics, with a focus on making sure they understood and supported our position and strategy. We have been grateful for a stable shareholder base over recent years which has supported our model of creating, monetising and returning value to investors, as well as to the communities we operate in.

We have also ensured that we have looked after our people. Despite the pandemic and associated lockdowns, our people have demonstrated steadfast commitment and have carried out a huge amount of complex work remotely that would normally have been done face to face. I would like to thank them for their efforts, which have demonstrated the resilient culture and adaptability of the Company. One of our areas of priority for the coming year will be a focus on diversity and inclusion. We operate in a global industry and in many different countries, and it is important to ensure that we benefit from the diverse perspectives that people bring.

As we look to the future, we will seek to continue to scale up production and invest where we believe we can make a difference, at the same time effectively deploying our decarbonisation strategy and exploring opportunities to support the development of technologies in areas aligned with our core skillsets.

We will continue to deliver the strategy that we have set out: building and scaling production to create a business with stable cash flows, a sustainable profile, and the opportunity and means to continue to create value for our stakeholders.



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