THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

27 April 2023

CAPRICORN ENERGY PLC ("Capricorn" or "the Company")

Full Year Results Announcement for the year ended 31 December 2022

Targeted US$575m return of capital over next 12 months: US$450m immediate special dividend, US$100m special dividend in Q4 2023 and share buyback of at least US$25m

Focus on significant opportunities in Egypt business, cost saving and curtailment of international exploration

Appointment of new Chief Executive

Craig van der Laan, Chair, Capricorn Energy PLC said:
"I was appointed Chair of Capricorn in February 2023, alongside five other new members of Capricorn's Board following a public campaign by a number of shareholders. The overwhelming shareholder vote in favour of the new Board appointments underscored the expectations for change. Consistent with those expectations, we immediately commenced a strategy review after appointment. Today, 85 days later, we are pleased to report our initial findings, which include five areas of decisive strategic action. These include a decision to make a material return of capital to shareholders; a significant cost reduction as part of a broader plan to preserve shareholder cash; the curtailment of expensive exploration activities outside of near field activity in Egypt; plans to improve the Egypt business; and a drive for a culture change across the Company.

"As we take the next actions in our review, I am pleased to announce that Capricorn will benefit from the leadership of Randy Neely, a highly accomplished industry figure with extensive experience of successful operations in Egypt, who will join the business as Chief Executive on 1 June 2023.

Our review of strategy continues, and I look forward to updating shareholders on our medium to long term findings in the months ahead. I would like to be very clear on our intention in the near term, and on an ongoing basis, to return all excess capital to our shareholders.

As we look to enact positive change in the business, I am grateful for the support that we have been given by our new colleagues as we execute our strategy for the benefit of all of our shareholders."

Strategic Review - Initial Findings:

- Strategic review commenced on 1 February 2023
- Capital returns: the Board commits to return to shareholders all excess cash flow not required for our go forward core operational focus, resulting in a significant return of capital of approximately US$575m via a c.US$450m special dividend proposed to be paid in May 2023, a further special dividend in Q4 2023 of US$100m dependent upon certain conditions and a share buyback of at least US$25m over the next twelve months
    - The US$100m special dividend in Q4 2023 is dependent upon a number of factors including: addressing our receivables position in Egypt; the outcome of conversations with stakeholders in Egypt around licence extensions and renegotiation of terms; actual oil and gas price outcomes for the remainder of 2023; and the conclusions of our strategic review as it relates to further cost actions and future investment in our Egypt business
- Cost saving programme initiated: identified and actioned initial gross G&A reduction of at least US$35m on a run rate basis; opportunities for further cost savings to be pursued, with costs to be aligned to activity on an ongoing basis to maximise cash

- Materially scale back all exploration spend outside Egypt and monetise, farm-down or exit all other exploration positions. A process has commenced for a potential sale of our UK assets
- Focusing on maximising value of Egypt by optimising investment, well selection and rig performance, continuing to focus on liquids production growth and, alongside partners, exploring options to enhance fiscal terms
- Appointment of new Chief Executive: Randy Neely, former President and CEO of Egypt-focused operator TransGlobe Energy Corporation to join Capricorn on 1 June 2023
- Strategic review continues with medium to longer term strategic outcomes to be presented in due course, with a Capital Markets Day to be held in Q4 2023

ESG Highlights

- Net zero by 2040: good progress on decarbonisation pathway, on track for 15% GHG equity emissions reduction by 2025

2022 Financial Highlights

- Working interest Egypt oil and gas production ~34,200 boepd, comprising 42% liquids and within revised guidance of 33,000-36,000 boepd; net entitlement sales volumes 4.7 mmboe
- Revenues from Egypt production US$229m: average realised oil price of US$98.8/bbl and gas price of US$2.9/mcf (average total production cost US$5.7/boe)
- Net cash generated from Egypt oil and gas production US$104m, comprising US$129m net cashflow generated during the year and deferred consideration and settlements paid US$24m
- Tax refund of US$1.06bn in Q1 2022 resulting from Indian tax dispute resolution
- US$529m returned to shareholders in H1 2022 via tender offer and share repurchase programme
- Year-end Group cash and cash equivalents US$757m; net cash US$597m after debt drawn to 31 December 2022 of US$160m
- Egypt trade receivables at 31 December 2022 US$97m
- Earnout consideration on the disposal of the UK Catcher and Kraken interests in relation to 2022 production and oil prices US$137m received in Q1 2023; US$77m production earnout in relation to 2021 production received in H1 2022
- Group capital expenditure on oil and gas assets US$162m
- Operating loss after tax US$160m from continuing operations
    - Impairment charge of US$43m on Egypt producing assets
    - Non-Egypt unsuccessful exploration costs of US$94m
- Profit of US$109m from discontinued operations from increase in value of earnout from sale of UK producing interests
- Loss after tax of US$51m

2023 Outlook

- The Board is confident in the outlook for the Group. We believe that over time we can deliver meaningful improvement and efficiencies to the way Capricorn is run to deliver good returns for shareholders. The next stage of our strategic review will seek to address this point
- Capricorn WI production to average 32,000-36,000 boepd, remaining broadly flat on 2022 and continuing to focus on liquids opportunities
    - Oil and condensate production expected to average between 14,000 - 16,000 bopd on a WI basis, with gas expected to average 100 - 112 mmscf/d on a WI basis
- Operating costs forecast to be stable at US$5 - US$7/boe influenced by liquids processing volume and absolute production levels
- Current estimates of 2023 capital expenditure total approximately ~US$155-175m, including:
    - Egypt production and development expenditure of US$100-120m, with five rigs in country focused on production and development drilling and influenced by the phasing of minor and major projects expenditure
    - Egypt exploration expenditure of ~US$25m to sustain the resource base
    - Committed non-Egypt exploration expenditure of up to US$30m, including costs associated with the Yatzil well in Mexico which was drilled in Q1 2023, with no further commitment wells in the international exploration portfolio outside Egypt
- Additional earnout consideration in respect of the Catcher and Kraken interests will be due in relation to production and oil prices in calendar years 2023 to 2025, subject to minimum production and oil price thresholds being met

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("**MAR**"). Upon the publication of this announcement via Regulatory Information Service ("**RIS**"), this inside information is now considered to be in the public domain. The person responsible for arranging the release of this announcement on behalf of Capricorn is Anne McSherry, Company Secretary.

Enquiries to:

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Presentation
The results presentation slides will be available on the website from 7:00am UK time.

Analyst conference call
You can listen to the results presentation by dialling in to a conference call at 08:45am UK time using the below dial-in-details. Analysts who wish to ask a question should use the conference call facility.

Dial-in Details:
United Kingdom (Local): +44 (0)330 551 0200

Access code: Quote 'Capricorn-Full Year' when prompted by operator

Webcast
There will be a live audio webcast of the results presentation available to view on the website (www.capricornenergy.com) at 08:45am UK time. This can be accessed on PC, Mac, iPad, iPhone, and Android mobile devices.

An 'on demand' version of the webcast will be available on the website as soon as possible after the event. This can be viewed on PC, Mac, iPad, iPhone, and Android mobile devices.

Transcript
A transcript of the results presentation will be available on the website as soon as possible after the event.

The LEI of Capricorn is 213800ZJEUQ8ZOC9AL24

Chair's statement

Introduction - maximising value for all stakeholders

The past year has seen unprecedented upheaval and change at Capricorn. A proposed recommended takeover by Tullow Oil plc was announced in June 2022 with the recommendation subsequently withdrawn by the Board in response to shareholders' objections. Thereafter, the Board recommended a reverse takeover of NewMed Energy (NewMed) which was also met with vigorous opposition and a public campaign by a number of shareholders, including demands for fundamental Board renewal and the termination of the NewMed deal. This culminated in the resignation of all but two members of the previous Board and overwhelming shareholder support for the appointment of six new Board members at an extraordinary general meeting held on 1 February 2023. I was elected to the Board and appointed Chair of Capricorn at that time and am honoured to serve in this role alongside the other new members of the Board. We bring to Capricorn a broad skillset of industry, shareholder engagement and capital markets expertise, which is essential for the Board to deliver against shareholders' strong mandate and expectations for change.

The three months since the shareholder meeting have been a period of extraordinary energy and renewal and this will continue as the Board works tirelessly to ensure Capricorn is managed for all of its diverse mix of shareholders, with an overriding focus on shareholder value generation. Since joining the Board, I have personally met a wide range of our investors, to ensure the Board understands shareholders' concerns and expectations as we develop our plans for Capricorn. Almost 75% of Capricorn's shares were voted at the February 2023 meeting, with over 99% of these supporting the appointment of six new Board members. Unsurprisingly, the messages from shareholders have therefore been consistent, at the heart of which is an expectation for change and a new approach. This culture of transparent engagement will continue, focusing on the acknowledgement of shareholder concerns and providing clear explanations for the positions we take.

Immediate priorities

Following the February general meeting, the Board announced a strategic review to explore options for Capricorn's future direction. Our immediate focus in the context of this review was to address the pressing matter of the NewMed transaction. Having considered the views of a significant number of shareholders and their unwillingness to support the proposed NewMed transaction, as well as recommendations to vote against the deal from leading proxy advisory agencies, and the need for the renewed Board to be able to consider all available alternative strategies for Capricorn, the Board advised shareholders to vote against the NewMed proposal. At the pending shareholder meeting, shareholders would have been asked to consider approving the NewMed deal, the completion of which remained subject to a range of conditions from NewMed, and as such no certainty that the deal would have been completed on the then contemplated terms. Shortly thereafter, the Company and NewMed mutually agreed on 15 February 2023 the termination with immediate effect of the business combination agreement, and therefore the NewMed transaction. The decision provided the Board with greater strategic optionality in deciding Capricorn's future direction.

We have heard clearly from shareholders and are pleased to outline five immediate priorities which have had our focus since taking office 85 days ago.

1. *Return of value to shareholders*

The tax refund in February 2022 from the Government of India of more than US$1bn enabled Capricorn to return US$529m of capital to shareholders in the form of a tender offer and buyback programme in 2022. As a newly constituted Board, our first commitment is to outline our plans to conduct another material distribution of cash to shareholders within operating requirements. We have stress tested the capital requirements of the business, so we have a clear understanding of how to manage safely our assets in the current market environment.

The Board is returning approximately US$575m via a special dividend of c.US$450m expected to be paid in May 2023, a further special dividend in Q4 2023 of US$100m dependent upon certain conditions and a share buyback of at least US$25m over the next twelve months. The US$100m special dividend in Q4 2023 is dependent upon a number of factors including: addressing our receivables position in Egypt; the outcome of conversations with stakeholders in Egypt around licence extensions and renegotiation of terms; actual oil and gas price outcomes for the remainder of 2023; and the conclusions of our strategic review as it relates to further cost actions and future investment in our Egypt business.

The special dividend of approximately US$$450m, which will be accompanied by a share consolidation and is subject to shareholder approval, is expected to be paid on 23 May as a final cash dividend of 115 pence per share. The consolidation and special dividend record date is expected to be 15 May, with dealings in the consolidated shares (ex-dividend) expected to commence on 16 May. The Board commits to return to shareholders all excess cash flow not required for our go forward core operational focus both today and on an ongoing basis.

In proposing these returns of value, the Board has been focused on the need to ensure Capricorn has sufficient capital and working capital to operate under a range of assumptions, in a market which is volatile and where significant cash receipts are in some cases beyond our control. Balancing this is a clear expectation from shareholders that surplus cash be returned, which is what we are announcing today.

2. *Cost cuts and cash preservation*

On 23 March 2023 we announced a material cost cutting exercise across Capricorn. We have commenced an employee consultation process which is anticipated to reduce the UK workforce by ~70% to c.40 people to better reflect the go forward needs of the business. This will create a new, leaner organisation to support the Egypt assets and result in a total global organisation of c.70 employees. Ongoing staff costs will be reduced by more than 50% while still retaining the necessary capability and headcount to safely and efficiently achieve our goals. In 2023, there will be costs associated with this restructuring which are expected to be offset by in-year savings, with the full annualised benefit of the cost reduction to be seen in 2024.

With fewer people, we will require much less office space and ancillary services. Capricorn will be moving out of its current office on Lothian Road, Edinburgh as planned but will not be moving into the new offices in Edinburgh which were outlined in last year's annual report. The search for smaller, lower cost alternative office space in Edinburgh is now underway. Significantly smaller, low-cost premises will also be found in London for those limited activities which need to take place there.

The Board has also reviewed its external consulting arrangements with a view to reducing costs and having a fresh start, ruling a line under the events of the last 12 months and presenting a new face to the market. We have therefore appointed Bank of America as corporate broker and financial adviser to replace four other banking advisers, and on the communications side, Camarco.

These cost saving initiatives are expected to realise identified total gross G&A savings of at least US$35m, representing a >50% reduction on 2022 gross G&A. These savings will be fully realised in 2024.

Opportunities for further savings will continue to be pursued, with costs to be aligned to activity on an ongoing basis.

All these initiatives are designed to preserve cash for the benefit of shareholders, to meet shareholders' expectations of commercial rigour and sound financial management, and to ensure surplus cash is returned to shareholders as it becomes available. This renewed approach should in due course assist the Board to gain shareholder support for the proposed strategic direction, in whatever form it takes.

3. *Ceasing exploration activities outside of near field activity in Egypt*

We plan to monetise, farm down or exit all exploration activities that fall outside low cost, near term, short cycle exploration in Egypt which has the potential in the near term to increase Capricorn's profitability and value. This applies to all activities in Mauritania, Suriname, Mexico and the UK North Sea, where we will look to shortly conclude the best value outcomes for these elements of our portfolio. Large-scale, high-risk exploration in a market that is transitioning is not a model the new Board believes a business of Capricorn's size should pursue. Following the Q1 drilling of the Yatzil well in Mexico, Capricorn has no further international commitment wells outside Egypt, minimising spend on international exploration during the rest of 2023, with no committed spending in 2024 and any further activity in Mauritania and Suriname conditional on successfully farming down our interest, ensuring capital preservation and flexibility. A process has commenced for the potential sale of our UK assets.

4. *Improve the Egypt business*

The Egypt business contains a diverse portfolio of oil and gas assets with multiple reservoir levels, providing significant opportunities for reserves additions from drilling and improved recovery, and production optimisation. Our strategic goal in Egypt is to work with our joint venture partners to deliver reserves and production growth and reliable free cash flow generation for returns to shareholders. In the short term, the focus is on stabilising and growing production, particularly of liquids, in order to continue to benefit from today's high prices, whilst ensuring cost efficiency. This can be achieved through rapid development of our recent near field extension successes in the BED and Sitra areas, and renewed focus on well selectivity and rig performance. In particular, we will look to optimise the investment level to maximise free cash flows.

The Board is also, in conjunction with our JV Partner, considering options to improve the fiscal terms in country, more in line with other operators and such that our activities can deliver better economics (which will benefit us) which will allow us to invest more (which will benefit Egypt). This would support the potential unlocking of our material 82.6mmboe 2C contingent resources within the Egyptian portfolio. We will focus on how best to achieve this opportunity, which if successful has the potential to double our existing reserves base.

5. *Culture change*

The Board recognises the need for a change in culture, one which scrutinises every pound spent in the interest of shareholder value, one which is entrepreneurial and flexible such that market opportunities can be taken advantage of quickly, and one where we listen to our key stakeholders, not least our owners.

A renewed culture at Capricorn will prioritise:

- Focusing on shareholder value: effective and rigorous cost control and the ongoing measurement of returns, ultimately supporting our ability to ensure excess capital is returned to shareholders
- Building effective and respectful relationships: we listen, we communicate openly and we engage effectively to improve our business and ensure we respect and deliver for our key stakeholders, notably in our host country of Egypt and our shareholders
- Being transparent and open: we swiftly acknowledge issues as they arise, deal with concerns and learn lessons from things that we get wrong, as well as get right
- Empowering people: we are building a lean, high performing team of people that will be trusted to deliver, and enabled to be entrepreneurial in order to quickly capture opportunities

The Board recognises that there are a number of important matters 85 days in that remain work in progress and are a focus for action:

- Improving our receivables position in Egypt
- Continued engagement with key stakeholders on Egypt licence extensions and renewed fiscal terms
- Seeking to address restricted cash in Egypt
- Final conclusions of the strategic review process and establishing a new leadership team
- Delivering additional cost savings to align costs to activity on an ongoing basis

We will update the market on these matters in due course and plan to hold a Capital Markets Day in Q4 2023.

Appointment of new Chief Executive

I am pleased to confirm that Randy Neely will join Capricorn as Chief Executive on 1 June. Randy was previously 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, and ultimately the negotiations which led to the merger between TransGlobe and VAALCO Energy in October 2022. He has more than 25 years of industry experience in executive and financial roles, including CFO of Zodiac Exploration, CFO of Pearl (Blackpearl) Exploration & Production and CFO of Trident Exploration. In accordance with Listing Rule 9.6.15, Capricorn confirms that there are no further details to be disclosed pursuant to Listing Rule 9.6.13.

Randy will succeed Chris Cox, Interim Chief Executive, who will leave the business after a handover period. On behalf of the Board, I would like to thank Chris for his significant contribution to the business since his appointment.

Medium to longer term strategy and business model
The Board has publicly stated that the Strategic Review involves the consideration of all options.

In the few weeks we have been in office, the Board’s focus and capacity has been taken up by the immediate priorities of coming up to speed on all aspects of Capricorn and its business, to enable informed decisions on the return of capital, significantly reducing exploration activity and spend, costs, culture and improving the Egypt business. With an initial trajectory now set in these areas, we will progress our evaluation of the future strategic options available before landing on and announcing the right course of action. The decisions will all be anchored in what will deliver most value to shareholders.

Shareholders should be reassured that these decisions will be guided by discipline, returns, our existing producing assets, risk management, short-cycle capital returns, exploiting existing oil and gas deposits in Egypt, reviewing our role as an operator versus non-operator and how as an organisation we address the energy transition and the role we play in it.

Once our medium to long term strategic thoughts have been formalised, I look forward to engaging in a discussion with shareholders as to the options available to us, including at the Capital Markets Day to be held in Q4 2023.

Responsible business
Our activities will continue to advocate a responsible approach to our operations, stakeholders and communities, and we will continue to deliver our core operations efficiently and safely.

I am also pleased with the progress that we are making on our sustainability agenda. This has always been present in Capricorn’s approach, but now more than ever is at the forefront of our decision-making and the considerations of our stakeholders. It is also an important factor both in terms of how we shape our portfolio and in the way that we operate.

Our people
In a year of major change and transformation, I would like to acknowledge the commitment and drive of colleagues at Capricorn. Our people have demonstrated steadfast commitment through a period of great uncertainty. A number of colleagues have left or are in the process of leaving the business following decisions taken to match organisational size to our activity set. On behalf of the Board, I would like to thank all of them for their service.

We will also continue in the coming year to focus on diversity and inclusion, recognising that we operate in a global industry and in many different countries. It is important to ensure that we benefit from the diverse perspectives that people bring.

Board Composition
Alongside my own appointment as Chair, Capricorn announced on 1 February 2023 the appointments of Chris Cox as Interim Chief Executive, Richard Herbert as senior independent director and Hesham Mekawi, Maria Gordon and Tom Pitts as independent non-executive directors.

On 24 January 2023, Nicoletta Giadrossi, Simon Thomson, Alison Wood, Luis Araujo and Peter Kallos resigned from the Board with immediate effect. James Smith and Keith Lough resigned from the Board on 1 February 2023.

In the 85 days since appointment, the new Board members have been greatly assisted by the two continuing Directors, Catherine Krajicek and Erik B. Daugbjerg. They have both provided continuity for the Board and valuable insight into Capricorn, its people and its operations. They have also demonstrated unswerving goodwill towards the new Directors, against the backdrop of an extraordinarily difficult period of change. As announced on 11 April 2023, Catherine and Erik have both advised that they will not stand for re-election at the 2023 Annual General Meeting. On behalf of the whole Board, I would like to thank them both for their contribution and support for the Board's strategy and initiatives and wish them well.

As a consequence of these changes, the Board will be seeking to find one or more new Directors as soon as possible. We will in particular be focussing on the appointment of diverse candidates, to address the current imbalance. These processes do take some time and it is important we appoint the right candidates. We will keep shareholders informed of our progress and provide a further update at the annual general meeting.

Strategic Outlook

Looking ahead, we are entering a period of renewal for Capricorn as we tighten costs, maintain discipline around capital preservation and capital allocation, and foster a strong culture. The Board has a clear mandate for change from shareholders and faces high expectations. We will provide further clarity on Capricorn's direction as a business in the months ahead, guided at all times by the imperative to maximise value and create opportunity for all our shareholders, host governments, communities and people. We as a Board are confident that we can realise the true value within Capricorn's portfolio and bring about a way forward for the Company that is in the best interest of all stakeholders.

I look forward to providing you with further updates as the strategy and its execution progress.

Craig van der Laan
Chair

Operational review
Operationally, the first full year of operations following the acquisition of Shell's Western Desert production and exploration portfolio in Egypt was completed. In common with other E&P businesses in the country, a number of operational challenges impacted the 2022 drilling programme, but Capricorn continues to see significant potential for production growth, operating efficiencies and reserves addition through successful exploration and development activity.

Capricorn further high-graded its exploration portfolio during 2022, reinforcing focus on lower-cost infrastructure-led opportunities with quicker payback potential, at the same time as limiting capital allocation to the remaining frontier positions, with no further commitment wells outside onshore Egypt exploration activity following the drilling of the Yatzil well in Mexico during Q1 2023, which was committed prior to the new Board being in place.

Capricorn remains committed to its Net Zero by 2040 target, with near term targets of a 15% GHG equity emissions reduction by 2025, and a 30% reduction by 2030. Our producing assets continue to demonstrate resilience to transition risks of climate change and the ability to deliver value for shareholders when tested against the International Energy Agency's Net Zero scenario, based on the economic assumptions we apply.

Reserves
The Group 2P reserves decreased by 10.2 mmboe during the year from 37.4 mmboe at year-end 2021 to 27.2 mmboe at year-end 2022 on an entitlement interest basis. This was principally due to Egyptian production of 4.7 mmboe and some downward revisions in gas reserves within the AESW and Obaiyed concessions. The AESW revisions are related to disappointing reservoir properties in the Karam-11 well and a limited connected reservoir volume in the Assil-105 well. Obaiyed reserves have been downgraded due to a steeper production decline, which is partly attributed to lower activity as the consortium focuses on higher-value oil production.

Capricorn's 2P reserves have decreased by 10% relative to the year-end 2020 estimate provided in the shareholder circular for the Egypt acquisition, once adjusted for interim production and the re-classification of the Teen full-field development (3.9 mmboe) from reserves to contingent resources, as detailed in the 2021 Annual Report.

Production

Egypt
Working interest production across the four main concession areas in the Western Desert of Obaiyed (Capricorn 50% WI), Badr El Din (Capricorn 50% WI), North East Abu Gharadig (Capricorn 26% WI) and Alam El Shawish West (Capricorn 20% WI) averaged ~34,200 boepd during the period, with ~42% of the production mix comprising oil and condensate, as liquids opportunities continued to offer the best returns in the current price environment.

The Joint Venture originally planned to drill >40 development wells in 2022, but this was not achieved due to logistical and rig acceptance challenges associated with the two rigs imported from Algeria into Egypt, and operational performance issues with the third new rig. These factors contributed to a 2022 new well count of 31 with five rigs operating by Q4 2022. With overall drilling and completion performance improving by year-end, ongoing improvement initiatives are required to achieve the targeted average ten new wells/year per rig to deliver overall production growth from the Western Desert.

Looking ahead, the 2023 well programme targeting >40 wells will use six rigs for both development and exploration wells while we continue to work to optimise the programme and improve overall drilling, completion and hook-up performance.

The Teen project is expected to come on stream during 2023, tying in three existing wells in a pilot evaluation to determine optimal full field exploitation.

Decarbonisation initiatives continue building on the work that commenced in 2022 relating to projects to reduce flaring, venting and identification of fugitive emissions. Additionally, verification of the overall calculation methodology for GHG emissions, associated with our 2022 baseline was completed in Q4

2022. Capricorn's short and medium term GHG equity emission reduction targets (15% by 2025/30% by 2030) are on track.

Exploration

Egypt
Post year-end, Capricorn's first operated drilling operations onshore Egypt began in Q1 2023 on the Saqr-1X well in the South Abu Sennan concession, resulting in a dry well. This was the first of an expected five well programme in 2023, with the next well in the sequence, Seman-1X, currently drilling. During 2022, the operated acquisition of two 500 sq km 3D seismic surveys was completed safely and under budget in the Southeast Horus and West El Fayium concessions in support of future exploration activity. A seismic survey was also completed in the non-operated North Um Baraka concession.

UK
Capricorn operates five UK Southern North Sea licences: P2428 and P2567 (Capricorn 60% WI) and P2560, P2561 and P2562 (Capricorn 70% WI) with partner Deltic Energy.

The Capricorn-operated Diadem exploration well spudded in Q2 2022, reaching total depth in Q3 2022. Hydrocarbons were not found, and the well was permanently plugged and abandoned. The non-operated Jaws well completed operations in Q1 2022 and was unsuccessful. Across the five Mid North Sea High licences, seismic reprocessing and prospect maturation continues ahead of well investment decisions in H2 2023. There is no further capital commitment on the remaining UK licences and a process has commenced for the potential sale of the UK assets.

During 2022, Capricorn relinquished the P2379, P2380, P2381 and P2468 licences.

Mexico
Capricorn has interests in four blocks in the Gulf of Mexico, two as Operator: Blocks 9 (Capricorn 50% WI) and 15 (Capricorn 50% WI), and two as non-Operator: Blocks 7 (Capricorn 30% WI) and 10 (Capricorn 15% WI).

Capricorn's final commitment exploration well in Mexico, Yatzil-1X in Block 7 (Eni Operator) was drilled in Q1 2023 and discovered hydrocarbons. According to preliminary Operator estimates, around 200 million barrels of oil may be in place and the Operator is examining options to determine commerciality. Capricorn internal analysis led to the decision not to participate in the forthcoming phases and the Company has therefore informed partners of its decision to withdraw from the Block 7 licence. Capricorn's withdrawal processes in Blocks 9 and 10 and the JV relinquishment process in Block 15 are ongoing with completion expected during the course of 2023.

Suriname
Capricorn operates Block 61 (100% WI), situated in the Guyana-Suriname basin where significant discoveries continue to be made. Capricorn is seeking to farm-down its interest in the licence.

Mauritania
Capricorn has a 90% WI as Operator in Block C7 offshore Mauritania. An environmental baseline and drilling site survey was completed in Q1 2022 with data gathered to inform a drilling decision ahead of the next licence phase. Capricorn has requested a six-month extension on the licence which it is discussing with the Mauritanian authorities, with a drill or drop decision due in September 2023. Discussions with potential partners are ongoing with a view to farming down Capricorn's working interest.

Operational Outlook
In Egypt, the 2023 drilling programme is expected to deliver >40 wells across the producing concessions, with the aim of optimising oil recovery in both existing and new discoveries. Included in this is a near-field extension well programme to improve reserves replacement and in the event of success, drive towards the higher end of our 2023 production guidance. The focus remains on liquid rich opportunities in the BED, Sitra, AESW and NEAG Concessions although we anticipate drilling new wells at the Obaiyed gas condensate field to help moderate underlying declines.

Principal risks and uncertainties

Managing the Group's key risks, and associated opportunities is essential to Capricorn's long-term success and sustainability. The Group endeavours to deploy capital in such a way that offers an appropriate level of return whilst ensuring the levels of associated political, commercial, and technical risk remain within the defined risk appetite of the Group.

The Group's risk management framework provides a systematic process for the identification and management of the key risks and opportunities which may affect the delivery of the Group's strategic objectives. Key Performance Indicators are set annually to determine the level of risk the Group is willing to accept in the pursuit of these objectives and form a fundamental component of the Group's risk management framework.

Overall responsibility for the system of risk management and internal control and reviewing the effectiveness of such systems rests with the Board. Principal risks, as well as progress against key risk projects, are reviewed at each Board meeting, and at least once a year the Board undertakes a dedicated risk workshop to review the Group's principal risks. This integrated approach to risk management has been and continues to be critical to the delivery of our strategic objectives.

Responding to Changing Risks during 2022

Capricorn has assessed the principal risks and uncertainties at the end of 2022. The principal risks are:

- Underperformance of Egypt assets
- Reserves downgrade or impairment
- Volatile oil and gas prices
- Political and fiscal uncertainties
- Egypt receivables balance
- Inability to access capital
- Major cyber attack
- Future challenges and costs to achieving pathway to Net Zero 2040
- Lack of adherence to health, safety, environment and security policies
- Breach of Code of Ethics
- Failure to unlock value from the strategic review

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.

Cost inflation has been identified as an emerging risk. 2022 saw significant rate increases for rigs, equipment and personnel and whilst this has impacted on specific assets across the Group portfolio, the cumulative impact has been manageable. Should factors such as geopolitical concerns, supply chain challenges and an increase in global project activity continue to drive a rise in costs, the potential for material impacts on capital expenditure will increase.

Financial Review

Key production statistics

	Year ended 31 December 2022	Year ended 31 December 2021*
Production – net WI share (boepd)	**34,228**	36,459
Sales volume – net El oil (bblpd)	**5,028**	5,360
Sales volume – net El gas (mmscfd)	**44,471**	51,599
Average price per bbl (US$)	**98.8**	77.8
Revenue from production (US$m)	**228.9**	56.2
Average production costs per boe (US$)	**5.70**	6.00

* from date of acquisition to 31 December 2021

Loss for the Year

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Loss from Egypt operating segment	**(19.2)**	(6.7)
Loss from other Capricorn Group continuing operations	**(141.1)**	(194.5)
Exceptional income – India tax refund	**-**	1,070.7
Profit from discontinued operations	**109.3**	25.0
Loss/(Profit) after taxation	**(51.0)**	894.5

Egypt Operating Segment Results

In Capricorn's first full year of production in Egypt, total revenue was US$228.9m. US$181.4m was generated on sale of liquids with an average price of US$98.8 per bbl on net sales volumes of 1.8 mbbls. Gas revenue was US$47.5m from volumes of 16,230 mmscf at the contracted rate of US$2.9/mscf.

Cost of sales in the year were US$71.2m. Production costs decreased slightly to US$5.7 per boe, on working interest production, while depletion charges were US$124.1m, at a weighted average rate of US$23.3 per boe across the concessions.

Following the downward reserves revisions on the Obaiyed and AESW concessions, impairment charges of US$42.6m arise, with related deferred tax credits of US$17.3m.

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 year, the value of this income and notional tax gross-up is US$54.8m.

Net finance costs in Egypt of US$21.4m, include US$14.9m of loan interest and charges and the Group recognised a fair value loss of US$12.7m on deferred consideration payable on the 2021 business combination.

The total tax charge on Egypt operations for the year is US$31.8m, being the tax gross-up charge of US$54.8m offset by deferred tax credits on impairment and other deferred tax movements. These include the recognition of deferred tax assets of US$7.1m on two concessions, which is supported by future profits forecast.

Results from Other Continuing operations
The loss on other Capricorn continuing operations of US$141.1m includes unsuccessful exploration costs of US$94.1m and administration charges of US$64.1m, with offsetting net finance income of US$18.9m.

Unsuccessful costs during the year included UK Diadem and Jaws well costs of US$29.3m and US$13.5m. Remaining costs of US$19.3m on Block 7 in Mexico have been expensed following the results of the Yatzil well. After internal analysis, Capricorn decided not to participate in forthcoming phases and the Company has informed partners of its decision to withdraw from Block 7.

Administration costs include costs associated with the India tax refund of US$13.1m and transaction costs of US$8.1m incurred in relation to the two deals recommended to shareholders by the previous Board.

Net finance income of US$18.9m includes interest earned on deposits and money market funds of US$14.7m.

Discontinued Operations

Earn-out consideration on disposal of UK Producing assets
Year-on-year increases in the fair value of the earn-out consideration due increased by US$110.4m, offset by a deferred tax charge of US$4.1m. Interest due on the 2021 receivable and a refund of prior year costs totalling US$3.0m, brought the total profit for the year to US$109.3m.

Cash received in 2022 was US$77.2m and the second payment due of US$136.7m, including interest from 1 January 2023, was received on 31 March 2023.

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 US$100m based on the first oil date and the prevailing oil price. No revenue has been recognised for this payment to date.

Net cash inflow for the Period

	US$m
Opening net cash as at 1 January 2022	132.7
India tax refund	1,056.0
Return of cash to shareholders and share buy-back	(528.6)
Net cash inflow from Egypt operations	128.6
Egypt deferred consideration and working capital settlement	(24.1)
Egypt exploration expenditure	(27.9)
Egypt development expenditure	(62.2)
UK earn-out consideration and working capital settlement	67.6
Exploration expenditure – non-Egypt	(67.0)
Pre-award costs and carbon credits	(16.0)
Administration expenses, business development and other	(53.9)
Net finance income less equity movements	(8.3)
Closing cash as at 31 December 2022	**596.9**

[1] other costs include non oil and gas asset expenditure of US$4.9m and lease costs of US$2.5m.

Cash balances at 31 December 2022 of US$756.8m were offset by borrowings in Egypt of US$159.9m. Cash includes restricted cash balances of US$52.5m which may not be distributed to shareholders. Of this amount, US$43.5m is available for use to fund non-operated concessions in Egypt.

The India tax refund of INR 79 billion was settled in February 2022. On settlement of the INR refund, Capricorn immediately converted the amounts received into US$ and £, realising US$1,056.0m. Subsequently cash was returned to shareholders through a tender offer and share re-purchase programme which, together with costs, totalled US$528.6m.

Cash inflows from operations in Egypt of U$104.5m, include settlement of deferred consideration and can be reconciled to cash flows from operations per the statutory cash flow as follows:

	US$m
Operating cash flow per statutory cash flow statement	**63.5**
Non-GAAP Adjustments:	
Discontinued operations – working capital settlements	9.6
Pre-award and new venture costs reallocated	25.1
Administration expenses and India arbitration costs	30.4
Net cash inflow from operations	**128.6**

Balance Sheet

The Group's net asset position at 31 December 2022 is summarised as follows:

	US$m
Exploration assets	95.2
Development assets and goodwill	274.9
Other non-current assets	14.1
Financial assets at fair value through profit and loss	230.6
Trade and other receivables and payables and inventory	94.9
Net cash, including unamortised facility fees	598.2
Deferred consideration on business combination	(61.8)
Net deferred taxation and other liabilities	(31.5)
Net assets	**1,214.6**

Exploration assets

At the year end, the Group held exploration assets of US$95.2m, with US$26.8m in Egypt, US$39.3m in Mauritania, US$17.0m in Suriname and US$12.1m across remaining UK licences.

In Egypt, exploration is focused on the Group's operated concessions, where a six well programme commenced in 2023, and on near-field exploration opportunities across the non-operated concessions.

In Mauritania and Suriname, Capricorn is seeking to farm-down its working interest before committing further expenditure to these two licences.

Development assets and goodwill

At the year end, the carrying value of the Group's producing assets in Egypt was US$249.5m. Additions in the year of US$71.5m were offset by a reversal of accruals of US$29.2m. These accruals were included in the opening balances following the acquisition of the Egypt business, but without further information to reconcile these accruals to subsequent spend, Capricorn has reversed in full.

Depletion and impairment charges in the year were US$166.7m. Goodwill of US$25.4m relating to the Egypt business combination was also tested for impairment, with none identified.

Other assets and liabilities

Financial assets at fair value through profit and loss include US$224.1m of the earn-out due in relation to the sale of the Group's UK producing assets, with US$134.4m due within one year and subsequently settled in Q1 2023, with additional interest of US$2.3m. Deferred consideration due on the Egypt business combination is also held at fair value and the current liability of US$25.0m was settled in January 2023.

Trade receivables at the year end were US$96.9m, an increase of US$33.6m across the year. US$66.0m of this amount was overdue.

The Group's net deferred tax position in Egypt was a liability of US$26.8m, with a UK deferred tax liability of US$4.1m. It is anticipated that deferred taxes will reverse without any future cash outflow.

Equity movements

Return of cash to shareholders and share buy-back

Following the receipt of the India tax refund, Capricorn returned US$511.5m to shareholders by way of a tender offer and share buy-back programme in H1 2022. After adjusting for opening accruals, cash outflows in relation to the returns were US$528.6m across the year.

Post-balance sheet capital reduction

In anticipation of further returns to shareholders, Capricorn undertook a share premium cancellation which completed in 2023, following a shareholder vote on 15 December 2022. The cancellation received the required confirmation for the Court of Session in late January 2023 and was registered with the Register of Companies on 31 January 2023, which is the effective date of the cancellation. The full amount of the Company's share premium accounts transferred to retained earnings increasing distributable reserves available for future returns.

Capricorn Energy PLC

Group Income Statement
For the year ended 31 December 2022

	Note	**2022 US$m**	2021 US$m
Continuing operations			
Revenue	2.1	**229.6**	57.1
Other income	2.1	**54.8**	7.3
Cost of sales	2.1	**(71.2)**	(20.5)
Depletion charge	2.3	**(124.1)**	(31.2)
Gross profit		**89.1**	12.7
Pre-award costs		**(9.2)**	(15.8)
Unsuccessful exploration costs	2.2	**(93.5)**	(50.6)
Impairment of intangible exploration/appraisal assets	2.2	**–**	(19.6)
Impairment of property, plant & equipment – development/producing assets	2.3	**(42.6)**	–
Other operating income		**5.8**	0.6
Administrative and other expenses		**(65.0)**	(58.2)
Operating loss		**(115.4)**	(130.9)
Fair value loss – deferred consideration on business combinations	3.4	**(12.7)**	(7.2)
Gain on financial assets at fair value through profit or loss		**2.3**	5.5
Finance income		**15.7**	4.5
Finance costs		**(18.2)**	(68.9)
Exceptional income – India tax refund	4.3	**–**	1,070.7
(Loss)/Profit before tax from continuing operations		**(128.3)**	873.7
Taxation			
Tax charge	5.2	**(32.0)**	(4.2)
(Loss)/Profit from continuing operations		**(160.3)**	869.5
Profit from discontinued operations	6.1	**109.3**	25.0
(Loss)/Profit for the year attributable to equity holders of the Parent		**(51.0)**	894.5
Earnings per share for (loss)/profit from continuing operations:			
(Loss)/Profit per ordinary share – basic (cents)	4.2	**(44.88)**	175.58
(Loss)/Profit per ordinary share – diluted (cents)	4.2	**(44.88)**	170.91
Earnings per share for (loss)/profit attributable to equity holders of the Parent:			
(Loss)/Profit per ordinary share – basic (cents)	4.2	**(14.28)**	180.63
(Loss)/Profit per ordinary share – diluted (cents)	4.2	**(14.28)**	175.82

Group Statement of Comprehensive Income
For the year ended 31 December 2022

	2022 US$m	2021 US$m
(Loss)/Profit for the year attributable to equity holders of the Parent	**(51.0)**	894.5
Other Comprehensive (Expense)/Income – items that may be recycled to the Income Statement		
Currency translation differences	**(16.7)**	2.0
Currency translation differences recycled on disposal of subsidiaries	**–**	54.7
Fair value loss on hedge options	**–**	(14.2)
Hedging loss recycled to the Income Statement	**–**	14.9
Fair value on hedge options recycled to the Income Statement on cessation of hedge accounting	**–**	2.7
Other Comprehensive (Expense)/Income for the year	**(16.7)**	60.1
Total Comprehensive (Expense)/Income for the year attributable to equity holders of the Parent	**(67.7)**	954.6
Total Comprehensive (Expense)/Income from:		
Continuing operations	**(177.0)**	874.9
Discontinued operations	**109.3**	79.7
	(67.7)	954.6

Capricorn Energy PLC

Group Balance Sheet

As at 31 December 2022

	Note	2022 US$m	2021 US$m
Non-current assets			
Intangible exploration/appraisal assets	2.2	**95.2**	98.3
Property, plant & equipment – development/producing assets	2.3	**249.5**	373.9
Goodwill	2.4	**25.4**	25.4
Other property, plant & equipment and intangible assets		**14.1**	5.7
Financial assets at fair value through profit or loss	3.4	**96.2**	120.4
Deferred tax asset	5.3	**7.1**	–
		487.5	623.7
Current assets			
Cash and cash equivalents	3.1	**756.8**	314.1
Inventory		**8.1**	10.8
Trade and other receivables	3.3	**142.5**	1,211.2
Financial assets at fair value through profit or loss	3.4	**134.4**	86.6
		1,041.8	1,622.7
Total assets		**1,529.3**	2,246.4
Current liabilities			
Loans and borrowings	3.2	**25.4**	10.9
Lease liabilities		**1.9**	2.4
Deferred consideration on business combinations	3.4	**25.0**	20.9
Trade and other payables	3.5	**55.7**	152.2
		108.0	186.4
Non-current liabilities			
Loans and borrowings	3.1	**133.2**	166.1
Lease liabilities		**2.4**	1.3
Provisions – well abandonment		**3.4**	2.2
Deferred consideration on business combinations	3.4	**36.8**	49.1
Deferred tax liabilities	5.3	**30.9**	42.7
		206.7	261.4
Total liabilities		**314.7**	447.8
Net assets		**1,214.6**	1,798.6
Equity attributable to equity holders of the Parent			
Called-up share capital		**8.0**	12.6
Share premium		**495.4**	490.9
Shares held by ESOP/SIP Trusts		**(15.3)**	(17.5)
Foreign currency translation		**(90.8)**	(74.1)
Merger and capital reserves		**45.5**	40.9
Retained earnings		**771.8**	1,345.8
Total equity		**1,214.6**	1,798.6

Capricorn Energy PLC

Group Statement of Cash Flows

For the year ended 31 December 2022

	Note	**2022 US$m**	2021 US$m
Cash flows from operating activities:			
(Loss)/Profit before tax from continuing operations		**(128.3)**	873.7
Profit before tax from discontinued operations	6.1	**113.4**	198.8
(Loss)/Profit before tax including discontinued operations		**(14.9)**	1,072.5
Adjustments for non-cash income and expense and non-operating cash flows:			
Other income – tax entitlement volumes		**(54.8)**	(7.3)
Release of deferred revenue		**–**	(21.7)
Unsuccessful exploration costs		**93.5**	50.6
Depreciation, depletion and amortisation		**129.9**	73.6
Impairment of intangible exploration/appraisal assets		**–**	19.6
Impairment of property, plant & equipment – development/producing assets		**42.6**	–
Share-based payments charge		**10.5**	10.2
Impairment of disposal group property, plant & equipment – development/producing assets		**–**	56.0
Exceptional income – India tax refund		**–**	(1,070.7)
Fair value loss – deferred consideration on business combinations		**12.7**	7.2
(Gain)/Loss on financial assets at fair value through profit or loss		**(112.7)**	2.6
Finance income		**(15.7)**	(4.5)
Finance costs		**18.2**	78.7
Adjustments to operating cash flows for movements in current assets and liabilities:			
Inventory movement		**2.7**	(4.6)
Trade and other receivables movement	3.3	**(38.7)**	(70.8)
Trade and other payables movement	3.5	**(9.8)**	(11.5)
Net cash flows from operating activities		**63.5**	179.9
Cash flows from investing activities:			
Exceptional income – India tax refund	4.3	**1,056.0**	–
Expenditure on intangible exploration/appraisal assets		**(94.9)**	(62.5)
Expenditure on property, plant & equipment – development/producing assets		**(62.2)**	(24.0)
Expenditure on other property, plant & equipment and intangible assets		**(11.7)**	(2.9)
Deferred consideration received – discontinued operations		**75.7**	–
Consideration paid for assets acquired through business combination		**(3.2)**	(310.1)
Deferred consideration paid on business combination		**(20.9)**	–
Expenditure on financial assets at fair value through profit and loss		**–**	(6.9)
Proceeds on disposal of financial assets		**12.8**	–
Proceeds on disposal of intangible exploration/appraisal assets – continuing operations		**–**	23.6
Proceeds on disposal of oil and gas assets – discontinued operations		**–**	63.9
Proceeds on disposal of purchaser bonds on sale of oil and gas assets – discontinued operations		**–**	30.0
Costs incurred on disposal of oil and gas assets		**–**	(7.3)
Tax paid on investing activities		**(0.2)**	–
Interest received and other finance income		**12.5**	0.2
Net cash flows from/(used in) investing activities		**963.9**	(296.0)
Cash flows from financing activities:			
Return of cash to shareholders		**–**	(257.2)
Share re-purchase		**(528.6)**	(7.8)
Debt arrangement fees		**–**	(4.6)
Other interest and charges		**(11.7)**	(5.8)
Proceeds from borrowings	3.2	**–**	181.4
Repayment of borrowings	3.2	**(21.5)**	–
Proceeds from issue of shares		**4.5**	0.9
Cost of shares purchased		**(19.8)**	(8.7)
Lease payments		**(2.5)**	(46.1)
Net cash flows used in financing activities		**(579.6)**	(147.9)
Net increase/(decrease) in cash and cash equivalents		**447.8**	(264.0)
Opening cash and cash equivalents at beginning of year		**314.1**	569.6
Foreign exchange differences		**(5.1)**	8.5
Closing cash and cash equivalents	3.1	**756.8**	314.1

Capricorn Energy PLC

Group Statement of Changes in Equity

For the year ended 31 December 2022

	Equity share capital and share premium US$m	Shares held by ESOP/ SIP Trusts US$m	Foreign Currency transation US$m	Merger and capital reserves US$m	Hedge reserve US$m	Retained earnings US$m	**Total equity US$m**
At 1 January 2021	502.7	(13.4)	(130.8)	40.8	(3.4)	729.7	1,125.6
Profit for the year	–	–	–	–	–	894.5	894.5
Fair value loss on hedge options	–	–	–	–	(14.2)	–	(14.2)
Hedging loss recycled to the Income Statement	–	–	–	–	14.9	–	14.9
Fair value on hedge options recycled on cessation of hedge accounting	–	–	–	–	2.7	–	2.7
Currency translation differences	–	–	2.0	–	–	–	2.0
Currency translation differences recycled on disposal of subsidiary	–	–	54.7	–	–	–	54.7
Total comprehensive income	–	–	56.7	–	3.4	894.5	954.6
Return of cash to shareholders	–	–	–	–	–	(257.2)	(257.2)
Share-based payments	–	–	–	–	–	10.2	10.2
Exercise of employee share options	0.9	–	–	–	–	–	0.9
Share re-purchase	(0.1)	–	–	0.1	–	(26.8)	(26.8)
Cost of shares purchased	–	(8.7)	–	–	–	–	(8.7)
Cost of shares vesting	–	4.6	–	–	–	(4.6)	–
At 31 December 2021	503.5	(17.5)	(74.1)	40.9	–	1,345.8	1,798.6
Loss for the year	–	–	–	–	–	(51.0)	**(51.0)**
Currency translation differences	–	–	(16.7)	–	–	–	**(16.7)**
Total comprehensive expense	**–**	**–**	**(16.7)**	**–**	**–**	**(51.0)**	**(67.7)**
Share-based payments	–	–	–	–	–	10.5	**10.5**
Exercise of employee share options	4.5	–	–	–	–	–	**4.5**
Share re-purchase	(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**	**–**	**771.8**	**1,214.6**

Section 1 – Basis of Preparation and Exceptional Income

1.1 Significant Accounting Policies

a) Basis of preparation

The consolidated Financial Statements of Capricorn Energy PLC (‘Capricorn’ or ‘the Group’) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 26 April 2023. 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 International Financial Reporting Standards (‘IFRS’). 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 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.

Effective as of 1 January 2022, Capricorn adopted the following amendments to the standards:

- Amendments to IFRS 16 'Leases';
- Amendments to IAS 16 'Property, plant and equipment';
- Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets'; and
- Annual improvements including minor amendments to IFRS 9 'Financial instruments' and IFRS 16 'Leases'.

The adoption of the amendments above has had no 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) Annual report and accounts

Full accounts are due to be made available on the Company’s website in May 2023 and will be available at the Company’s registered office, 50 Lothian Road, Edinburgh, EH3 9BY. The Annual General Meeting is due to be held on Thursday 20 June 2023 at 12 midday.

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 and ensuring the Group has sufficient funding to meet its current and contracted commitments as and when they fall due for a period of at least 12 months from the date of signing these Financial Statements.

At the balance sheet date and the date of this report, the Group has significant surplus cash balances, following receipt of the India tax refund, exceeding debt drawn on the Senior Secured Borrowing and Junior Debt Facilities which part-funded the Egypt acquisition. This cash surplus has been adjusted for the immediate proposed return of US$450.0m cash to shareholders, an additional cash return of US$100.0m, subject to certain conditions, and a US$25.0m share buy-back planned by the Board. After adjusting for these planned returns, under both Capricorn’s and the lenders' assumptions, the Group has sufficient resources to maintain compliance with the financial covenant associated with the facilities in terms of a 12-month forward-looking liquidity test.

A downside scenario run includes a return to lower oil prices of US$60 per bbl in the short-term, a reduction in forecast production, increases to forecast operating and drilling costs, and a cancellation of guarantees that would require to be cash collaterised. An oil price crash scenario assumes a sharp fall in oil price to US$35 per bbl before a gradual return to the downside price assumptions by Q2 2024. Both the downside and oil-price crash scenarios assume that the proposed additional US$100.0m cash return and share buy-back would be cancelled or postponed. Further mitigants identified by the Directors include the ability to reduce forecast but uncommitted capital expenditure, the sale of non-oil and gas assets held on the balance sheet, cancellation of discretionary share purchases and the realisation of contingent assets expected to be recovered over the coming twelve months.

Under the terms of the borrowing facilities entered into in connection with the Group's Egypt assets, Capricorn as borrowers jointly and severally guarantee performance of the obligations of the joint venture counterparty. Should the counterparty fail to meet its repayment obligations, the lenders could enforce this guarantee, though other routes to recovery would be more likely. Capricorn would also have legal routes to recover any sums paid on behalf of the counterparty under this guarantee. The Directors planned returns ensure that sufficient resources remain within the Group in order to meet its current and contracted commitments as and when they fall due for at least the twelve month period from the date of approval of the Financial Statements in event of default by the counterparty.

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.

Section 2 – Oil and Gas Assets and Operations

2.1 Gross Profit: Revenue and Cost of Sales

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Oil sales	**181.4**	41.3
Gas sales	**47.5**	14.9
Revenue from oil and gas sales	**228.9**	56.2
Royalty income	**0.7**	0.9
Total revenue	**229.6**	57.1
Other Income – Tax entitlement volumes	**54.8**	7.3
Other Income	**54.8**	7.3
Production costs and inventory movements	**(71.2)**	(20.5)
Cost of sales	**(71.2)**	(20.5)
Depletion (note 2.4)	**(124.1)**	(31.2)
Gross profit	**89.1**	12.7

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 2022 was US$228.9m (period from 24 September 2021 to 31 December 2021: US$56.2m), from net entitlement production of 4.7 mmboe (period from 24 September 2021 to 31 December 2021: 1.4 mmboe) of which ~39% (period from 24 September 2021 to 31 December 2021: ~39%) was liquids. Oil sales averaged US$98.8/boe (period from 24 September 2021 to 31 December 2021: US$77.8/boe) and with gas sales fixed at US$2.9/mcf (period from 24 September 2021 to 31 December 2021: US$2.9/mcf). Other income represents tax paid on Capricorn's behalf by EGPC, see section 5.

Production costs over the period were US$71.2m (period from 24 September 2021 to 31 December 2021: US$20.5m), or US$5.7/boe (period from 24 September 2021 to 31 December 2021: US$6.0/boe) (on a working interest ("WI") basis).

Section 2 – Oil and Gas Assets and Operations (continued)

2.2 Intangible Exploration/Appraisal Assets

	Egypt US$m	Eastern US$m	Western US$m	**Total US$m**
Cost				
At 1 January 2021	–	34.9	113.2	148.1
Additions	6.6	12.2	61.2	80.0
Unsuccessful exploration costs	(2.9)	(18.2)	(29.5)	(50.6)
Disposals	–	–	(59.6)	(59.6)
At 31 December 2021	3.7	28.9	85.3	117.9
Additions	22.5	10.5	57.4	**90.4**
Unsuccessful exploration costs	0.6	(0.1)	(113.6)	**(113.1)**
At 31 December 2022	**26.8**	**39.3**	**29.1**	**95.2**
Impairment				
At 1 January 2021	–	–	36.0	36.0
Impairment charges	–	–	19.6	19.6
Disposals	–	–	(36.0)	(36.0)
At 31 December 2021	–	–	19.6	19.6
Unsuccessful exploration costs	–	–	(19.6)	**(19.6)**
At 31 December 2022	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2020	–	34.9	77.2	112.1
At 31 December 2021	3.7	28.9	65.7	98.3
At 31 December 2022	**26.8**	**39.3**	**29.1**	**95.2**

Additions to intangible exploration/appraisal assets were funded through cash and working capital.

Egypt

Additions in Egypt of US$22.5m mainly relate to North Um Baraka, Badr El Din and the three Capricorn operated concessions, South Abu Sennan, West El Fayium and South East Horus. Unsuccessful exploration costs of US$2.9m recorded in 2021, offset by an accrual reversal of US$0.6m in 2022, relate to the North Um Baraka concession, where an unsuccessful well completed in January 2022.

Eastern

Additions in the year of US$10.5m include US$10.4m which were incurred on Mauritania Block 7 and total costs of US$39.3m remain capitalised at the year end.

Western

Additions of US$57.4m include US$11.4m in Mexico, US$44.5m in the UK and US$1.5m in Suriname.

In the UK, additions of US$22.7m and US$13.5m were incurred on the P2379 and P2380 licences containing the Diadem and Jaws wells completed in the year, with remaining additions of US$8.3m incurred across the rest of the UK portfolio. US$10.4m of the Diadem additions were short-term lease costs. Both Diadem and Jaws wells were unsuccessful, and costs of US$29.3m and US$13.5m respectively were charged to the Income Statement, with a further US$1.9m of unsuccessful costs incurred on other UK portfolio licences. Further costs of US$17.4m relating to the Jaws well were charged to the Income Statement in 2021. At 31 December 2022 costs of US$12.1m remain capitalised in respect of UK licences.

In Mexico additions for the year of US$11.4m were spread across Blocks 7, 9, 10 and 15. Unsuccessful costs of US$68.9m include US$49.6m which were charged to the Income Statement for Blocks 9, 10 and 15 where Capricorn has or will be exiting from the licences. This includes costs of US$19.6m impaired in 2021 on Block 9 (discussed further below). The remaining unsuccessful costs of US$19.3m relate to Block 7 where the Yatzil well completed in 2023. Capricorn internal analysis led to the decision not to participate in the forthcoming phases and the Company has therefore informed partners of its decision to withdraw from the licence.

In Suriname total costs of US$17.0m remain capitalised at the year end.

Impairment review

At the year end, Capricorn reviewed its remaining intangible exploration/appraisal assets for indicators of impairment. No indicator of impairment was identified on any of the Group's remaining exploration/appraisal assets.

Subsequent to the year end, the Directors have confirmed that Capricorn will seek to farm-down its interests in Mauritania and Suriname before committing to further exploration activity. Failure to find a partner and subsequent withdrawal from either or both licences would result in all costs currently capitalised in relation to these licences being charged to the Income Statement.

Section 2 – Oil and Gas Assets and Operations (continued)

2.2 Intangible Exploration/Appraisal Assets (continued)

Impairment Review (continued)
In 2021, in Mexico, the Saasken-2 appraisal well did not encounter hydrocarbons and as a result a possible Saasken extension into neighbouring Block 9 was reclassified from contingent resources to prospective resources, indicating possible impairment. Following impairment testing, the remaining costs capitalised of US$19.6m were impaired in full. In 2022, Capricorn submitted notice to the Mexican authorities of the Group's intention to withdraw from Block 9 and remaining costs charged as unsuccessful exploration costs.

2.3 Property, Plant & Equipment – Development/Producing Assets

	Egypt US$m	UK Producing assets US$m	UK producing right-of-use leased assets US$m	**Total US$m**
Cost				
At 1 January 2021	–	1,177.7	316.3	1,494.0
Acquisitions through business combinations	390.2	–	–	390.2
Additions	14.9	–	–	14.9
Disposals	–	(1,177.7)	(316.3)	(1,494.0)
At 31 December 2021	405.1	–	–	405.1
Additions	71.5	–	–	**71.5**
Other cost adjustments	(29.2)	–	–	**(29.2)**
At 31 December 2022	**447.4**	**–**	**–**	**447.4**
Depletion, amortisation and impairment				
At 1 January 2021	–	517.0	127.2	644.2
Depletion charge – continuing operations	31.2	–	–	31.2
Depletion and amortisation charges – discontinued operations	–	27.1	8.2	35.3
Disposals	–	(544.1)	(135.4)	(679.5)
At 31 December 2021	31.2	–	–	31.2
Depletion charge	124.1	–	–	**124.1**
Impairment	42.6	–	–	**42.6**
At 31 December 2022	**197.9**	**–**	**–**	**197.9**
Net book value				
At 31 December 2020	–	660.7	189.1	849.8
At 31 December 2021	373.9	–	–	373.9
At 31 December 2022	**249.5**	**–**	**–**	**249.5**

Egypt
Capricorn acquired its development/producing assets in Egypt through a business combination in 2021 (see note 6.3). Subsequent expenditure on development activities across the concessions totalled US$14.9m in 2021 and US$75.1m in 2022. The 2022 other cost adjustments of US$29.2m relate to the reversal of accruals which were included in the acquisition costs of assets in 2021. The seller has not provided sufficient information to allow the new operator to reconcile the reversal of those accruals back to subsequent costs. Capricorn have therefore reversed those accruals at the year end.

The 2021 acquisition was funded through a combination of cash and borrowings, with further deferred consideration due on future oil prices. Subsequent additions have been funded through cash and working capital.

Depletion of US$124.1m (2021: US$31.2m) was charged to the Income Statement based on entitlement interest production during the year (2021: from 24 September 2021 to the end of 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. Indicators were identified where performance from producing wells had fallen below expectation resulting in downgrades to reserve volumes. Subsequent impairment tests identified an impairment of US$42.6m accross two of the Egypt concession areas, AESW and Obaiyed. Impairment sensitivity analysis is provided in note 2.7.

UK Producing asset disposals
On 8 March 2021, Capricorn entered into an agreement to sell its entire interests in the UK Catcher and Kraken producing assets. The sale completed on 2 November 2021 (see note 6.1). At the date of the agreement, assets were re-classified as held-for-sale before the disposal completed. US$35.3m of amortisation and depletion charges were recorded on the assets prior to re-classification.

Section 2 – Oil and Gas Assets and Operations (continued)

2.4 Goodwill

	Egypt US$m
At 1 January 2021	–
Goodwill arising on acquisition	25.4
At 31 December 2021 and 31 December 2022	25.4

Goodwill arose on the acquisition of the Western Desert assets in Egypt in 2021 (see note 6.3). There were no subsequent measurement period adjustments to the original acquisition accounting. Goodwill has been tested for impairment at 31 December 2022 but no impairment was identified. Impairment sensitivity analysis is provided in note 2.7.

2.5 Capital Commitments

	At 31 December 2022 US$m	At 31 December 2021 US$m
Oil and gas expenditure:		
Intangible exploration/appraisal assets	**36.0**	71.8
Property, plant & equipment – development/producing assets	**114.0**	93.7
Contracted for	**150.0**	165.5

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 include US$17.2m (2021: US$23.5m) in Egypt, US$0.5m (2021: US$34.4m) for operations in the UK and US$18.3m (2021: US$11.1m) for remaining commitments in Mexico.

As at 31 December 2022, the capital commitments for property, plant & equipment – development/producing assets were solely related to Egypt operations.

There were no short-term lease commitments at the 2022 balance sheet date (2021: US$nil).

2.6 Impairment Sensitivity Analysis

Capricorn recorded an impairment of US$42.6m on the Obaiyed and AESW concession areas. Impairment sensitivity analysis has been performed of the Group's long-term oil price and discount rate assumptions with results presented below. Changes arising on the change of assumptions relate to the AESW and Obaiyed concessions only. No impairment arises on any of the other Egypt concession areas or on goodwill under any of the sensitivities performed.

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 – Development/producing assets	**US$m**	**US$m**	**US$m**
Long-term oil price:			
US$55/bbl	**(14.2)**	**5.8**	**(8.4)**
US$65/bbl	**10.0**	**(4.1)**	**5.9**
US$70/bbl	**22.3**	**(9.0)**	**13.3**
Discount rate:			
12%	**(7.8)**	**3.2**	**(4.6)**
14%	**(12.9)**	**5.2**	**(7.7)**

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities

3.1 Cash and Cash Equivalents

	At 31 December 2022 US$m	At 31 December 2021 US$m
Cash at bank	**63.4**	84.8
Bank deposit less than three months	**298.0**	-
Money market funds	**395.4**	229.3
	756.8	314.1

At 31 December 2022, US$52.5m (2021: US$8.9m) of cash and cash equivalents are restricted and not available for immediate ordinary business use. This includes US$43.5m (2021: US$8.9m) 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 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 US$50.0m and US$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 and the maximum holding in any single fund is 20% of total investments.

3.2 Loans and Borrowings

Reconciliation of opening and closing liabilities to cash flow movements:	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Opening liabilities	**177.0**	-
Loan advances disclosed in the Cash Flow Statement:		
Senior Debt Facility	**-**	141.4
Junior Debt Facility	**-**	40.0
	181.4	181.4
Loan repayments disclosed in the Cash Flow Statement:		
Senior Debt Facility	**(21.5)**	-
Other movements in Cash Flow Statement:		
Debt arrangement fees	**-**	(4.6)
Non-cash movements:		
Accrued debt facility interest	**2.2**	-
Amortisation of debt arrangement fees	**0.9**	0.2
Closing liabilities	**158.6**	177.0
Amounts due less than one year	**25.4**	10.9
Amount due greater than one year	**133.2**	166.1
Closing liabilities	**158.6**	177.0

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Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.2 Loans and Borrowings (continued)

Capricorn Egypt Debt Facilities
In September 2021 Capricorn Egypt Limited entered into a US$325.0m Senior Debt Facility and an US$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. An accordion feature on the Senior Facility permits additional future commitments of up to US$200.0m subject to the amortisation of investor commitments. Facility commitments began amortising in September 2022 and the maximum drawdown available to Capricorn at 31 December 2022 was US$119.9m for the Senior Debt Facility and US$40.0m for the Junior Debt Facility.

Interest on debt drawn is charged at the appropriate LIBOR for the currency drawn plus an applicable margin. The Senior Debt Facility remains subject to biannual redeterminations, has a market standard suite of covenants and is cross-guaranteed by all Group companies party to the facility, including Cheiron. Any debt drawn is repayable in line with the amortisation of bank commitments over the period from September 2022 to the extended final maturity date of September 2026. All drawings in the year were denominated in US$.

With effect from 1 July 2023, it is intended that the Secured Overnight Financing Rate (SOFR) will replace LIBOR as the benchmark for calculating interest on the two facilities. The rate of interest on borrowings will be the aggregate of the reference rate, margin and a credit adjustment spread, whereby the reference rate will be the applicable Term SOFR for a period equal in length to the interest period of the loan.

3.3 Trade and Other receivables

	At 31 December 2022 US$m	At 31 December 2021 US$m
India tax refund receivable	**-**	1,070.7
Trade receivables	**96.9**	63.3
Other receivables	**19.6**	14.0
Prepayments	**5.3**	7.8
Joint operation receivables	**20.7**	55.4
	142.5	1,211.2

The India tax refund receivable of US$1,070.7m was settled in February 2022, see note 4.3.

Trade receivables relate to the Group's producing assets in Egypt. Capricorn remain in discussions with EGPC and the operator to manage the receivables position.

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 US$19.6m (2021: US$14.0m) includes interventure receivables of US$9.1m (2021: US$7.7m), VAT recoverable in the UK and Mexico of US$4.4m (2021: US$3.5m) and money market interest receivable of US$3.3m (2021: US$1.5m).

Reconciliation of opening and closing receivables to operating cash flow movements:	**Year ended 31 December 2022 US$m**	Year ended 31 December 2021 US$m
Opening trade and other receivables	**1,211.2**	74.6
Closing trade and other receivables	**(142.5)**	(1,211.2)
Decrease/(Increase) in trade and other receivables	**1,068.7**	(1,136.6)
Foreign exchange	**(17.3)**	0.2
India tax refund (received)/receivable	**(1,056.0)**	1,070.7
Decrease in joint operation receivables relating to investing activities	**(27.7)**	(1.3)
(Decrease)/Increase in other receivables relating to investing activities	**(8.7)**	0.2
Increase in prepayments relating to investing activities	**0.6**	2.7
Increase/(Decrease) in prepayments and other receivables relating to financing activities	**1.7**	(7.4)
Trade and joint operation receivables derecognised on disposal of the UK assets	**–**	(57.4)
Trade and other receivables recognised on purchase of Egypt assets (note 6.3)	**–**	58.1
Trade and other receivables cash flow movement	**(38.7)**	(70.8)

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)

3.4 Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Financial assets	At 31 December 2022 US$m	At 31 December 2021 US$m
Non-current assets		
Financial assets at fair value through profit or loss – earnout consideration	**89.7**	113.5
Financial assets at fair value through profit or loss – non-listed investment fund	**6.5**	6.9
	96.2	120.4
Current assets		
Financial assets at fair value through profit or loss – earnout consideration	**134.4**	75.8
Financial assets at fair value through profit or loss – listed equity investments	**-**	10.8
	134.4	86.6

Financial assets at fair value through profit or loss – Earnout consideration
The fair value of earnout consideration receivable, due in annual instalments from 2023 through to 2026, increased by US$110.4m during 2022 to a closing fair value receivable of US$224.1m in the Balance Sheet as at 31 December 2022. The 2021 current receivable of US$75.8m relating to 2021 production was settled during the year. See note 6.1 for further detail.

On 31 March 2023, Capricorn received US$136.7m in full settlement of the 2022 earnout consideration due with interest from 1 January 2023 of US$2.3m.

Financial assets at fair value through profit or loss – Investments
In 2021, Capricorn invested US$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 March 2022, the Group sold its remaining shareholding in Vedanta, listed in India, for INR968m (US$12.7m).

Financial liabilities	At 31 December 2022 US$m	At 31 December 2021 US$m
Non-current liabilities		
Financial liabilities at fair value through profit or loss – deferred consideration on business combination	**(36.8)**	(49.1)
	(36.8)	(49.1)
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 US$25.0m due for each year if the average price exceeds US$75/bbl. The full US$25.0m was payable in respect of 2022 and was settled in January 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 US$12.7m (2021: US$7.2m) on fair value movements increasing the liability.

Section 3 – Working Capital, Financial Instruments and Long-term Liabilities (continued)

3.5 Trade and Other Payables

	At 31 December 2022 US$m	At 31 December 2021 US$m
Trade payables	**1.5**	1.6
Other taxation and social security	**1.9**	0.2
Accruals and other payables	**21.6**	59.5
Joint operation payables	**30.7**	90.9
	55.7	152.2

The reduction in accruals and other payables are mainly due to a balance of US$20.2m paid for the share re-purchase, see note 7.1.

Joint operation payables include US$18.3m (2021: US$30.0m) and US$12.1m (2021: US$0.5m) relating to exploration/appraisal asset and development/producing asset costs respectively.

The decrease in joint operation payables for development/production assets at the balance sheet date compared to the prior year was due to payables of US$60.3m at 31 December 2021 relating to the newly acquired production/development assets in Egypt.

Reconciliation of opening and closing payables to operating cash flow movements:	**At 31 December 2022 US$m**	At 31 December 2021 US$m
Opening trade and other payables	**(152.2)**	(91.6)
Closing trade and other payables	**55.7**	152.2
(Decrease)/Increase in trade and other payables	**(96.5)**	60.6
Foreign exchange	**3.4**	–
Decrease in trade payables relating to investing activities	**0.5**	–
Decrease/(Increase) in joint operation payables relating to investing activities	**61.6**	(16.4)
Decrease/(Increase) in accruals and other payables relating to other non-operating activities	**18.7**	(19.0)
Decrease in accruals and other payables relating to investing activities	**3.0**	1.2
Increase in accruals and other payables relating to financing activities	**(0.5)**	(0.6)
Trade and other payables derecognised on disposal of the UK assets	**–**	22.2
Joint operation payables recognised on purchase of Egypt assets (note 6.3)	**–**	(59.5)
Trade and other payables movement recorded in operating cash flows	**(9.8)**	(11.5)

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 re-purchase.

Section 4 – Income Statement Analysis

4.1 Segmental Analysis

Geographical information: non-current assets	**At 31 December 2021 US$m**	At 31 December 2020 US$m
Egypt	**303.3**	403.0
Eastern	**39.3**	28.9
Mexico	**0.6**	38.8
UK	**12.1**	12.4
Suriname	**17.1**	15.6
Western	**29.8**	66.8
Other Capricorn Energy Group	**11.9**	4.6
Total non-current assets	**384.3**	503.3

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the year ended 31 December 2022 are as follows:

	Egypt US$m	Eastern US$m	Western US$m	Group US$m	**Total US$m**
Revenue	228.9	–	–	0.7	**229.6**
Other income	54.8	–	–	–	**54.8**
Cost of sales	(71.2)	–	–	–	**(71.2)**
Depletion and amortisation charges	(124.1)	–	–	–	**(124.1)**
Gross profit	**88.4**	**–**	**–**	**0.7**	**89.1**
Pre-award costs	(2.8)	–	(0.8)	(5.6)	**(9.2)**
Unsuccessful exploration costs	0.6	(0.1)	(94.0)	–	**(93.5)**
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)	**46.7**	**(0.1)**	**(96.7)**	**(65.3)**	**(115.4)**
Fair value loss – deferred consideration	(12.7)	–	–	–	**(12.7)**
Gain on financial assets at fair value through profit or loss	–	–	–	2.3	**2.3**
Finance income	0.3	–	2.3	13.1	**15.7**
Finance costs	(21.7)	–	2.9	0.6	**(18.2)**
Profit/(Loss) before tax from continuing operations	**12.6**	**(0.1)**	**(91.5)**	**(49.3)**	**(128.3)**
Tax charge	(31.8)	–	–	(0.2)	**(32.0)**
Loss for the year from continuing operations	**(19.2)**	**(0.1)**	**(91.5)**	**(49.5)**	**(160.3)**
Profit from discontinued operations	–	–	–	109.3	**109.3**
(Loss)/Profit attributable to equity holders of the Parent	**(19.2)**	**(0.1)**	**(91.5)**	**59.8**	**(51.0)**
Balances as at 31 December 2022:					
Capital expenditure	**64.8**	**10.5**	**57.4**	**10.7**	**143.4**
Total assets	**478.7**	**40.0**	**278.0**	**732.6**	**1,529.3**
Total liabilities	**272.7**	**1.2**	**16.5**	**24.3**	**314.7**
Non-current assets	**303.3**	**39.3**	**29.8**	**11.9**	**384.3**

Revenue in the Egypt segment contains revenue generated from eight concessions in the Western Desert, onshore The Arab Republic of Egypt. 90% 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)

The segment results for the year ended 31 December 2021 were as follows:

	Egypt US$m	Eastern US$m	Western US$m	UK producing assets US$m	Other Capricorn Energy Group US$m	Group adj for segments US$m	Total US$m
Revenue	56.2	–	–	411.8	0.9	(411.8)	57.1
Other income	7.3	–	–	–	–	–	7.3
Cost of sales	(20.5)	–	–	(103.8)	–	103.8	(20.5)
Depletion and amortisation charges	(31.2)	–	–	(35.3)	–	35.3	(31.2)
Gross profit	11.8	–	–	272.7	0.9	(272.7)	12.7
Pre-award costs	(0.9)	–	(1.7)	–	(13.2)	–	(15.8)
Unsuccessful exploration costs	(2.9)	(18.2)	(29.5)	–	–	–	(50.6)
Impairment of intangible exploration/appraisal assets	–	–	(19.6)	–	–	–	(19.6)
Impairment of disposal group property plant & equipment – development/producing assets	–	–	–	(56.0)	–	56.0	–
Other operating income	–	–	–	–	0.6	–	0.6
Depreciation – purchased assets	–	–	(0.1)	–	(0.2)	–	(0.3)
Amortisation – right-of-use assets	–	–	(0.1)	–	(1.9)	–	(2.0)
Amortisation of other intangible assets	(0.1)	–	(0.2)	–	(4.5)	–	(4.8)
Other administrative expenses	(0.1)	–	(0.5)	–	(50.5)	–	(51.1)
Operating profit/(loss)	7.8	(18.2)	(51.7)	216.7	(68.8)	(216.7)	(130.9)
Exceptional income – India tax refund	–	–	–	–	1,070.7	–	1,070.7
Fair value loss – deferred consideration	(7.2)	–	–	–	–	–	(7.2)
(Loss)/Gain on financial assets at fair value through profit or loss	–	–	–	(8.1)	5.5	8.1	5.5
Finance income	–	–	(0.7)	–	5.2	–	4.5
Finance costs	(3.1)	–	(54.7)	(9.8)	(11.1)	9.8	(68.9)
(Loss)/Profit before tax from continuing operations	(2.5)	(18.2)	(107.1)	198.8	1,001.5	(198.8)	873.7
Tax charge	(4.2)	–	–	–	–	–	(4.2)
(Loss)/Profit for the year from continuing operations	(6.7)	(18.2)	(107.1)	198.8	1,001.5	(198.8)	869.5
Loss on disposal of discontinued operations	–	–	–	(173.8)	–	173.8	–
Profit from discontinued operations	–	–	–	–	–	25.0	25.0
(Loss)/Profit attributable to equity holders of the Parent	(6.7)	(18.2)	(107.1)	25.0	1,001.5	–	894.5
Balances as at 31 December 2021:							
Capital expenditure	437.2	12.2	60.9	5.8	1.1	(5.8)	511.4
Total assets	525.3	29.4	289.6	–	1,402.1	–	2,246.4
Total liabilities	367.7	1.9	33.3	–	44.9	–	447.8
Non-current assets	403.0	28.9	66.8	–	4.6	–	503.3

All revenue from UK producing assets is attributable to the sale of oil and gas produced in the UK. 31.3% of the Group's sales of oil and gas are to a single customer that marketed the crude on Capricorn's behalf and delivered it to the ultimate buyers, prior to a change in the marketing of crude during the second half of 2020.

All transactions between the segments are carried out on an arm's length basis.

Section 4 – Income Statement Analysis (continued)

4.2 Earnings per Ordinary Share

Basic and diluted earnings per share are calculated using the following measures of (loss)/profit:	**Year ended 31 December 2022 US$m**	Year ended 31 December 2021 US$m
(Loss)/Profit and diluted (loss)/profit after taxation from continuing operations	**(160.3)**	869.5
(Loss)/Profit and diluted (loss)/profit attributable to equity holders of the Parent	**(51.0)**	894.5

The following reflects the share data used in the basic and diluted earnings per share computations:	**Number of shares 2022 '000**	Number of shares 2021 '000
Weighted average number of shares	**364,470**	501,874
Less weighted average shares held by ESOP and SIP Trusts	**(7,313)**	(6,709)
Basic weighted average number of shares	**357,157**	495,165
Potential dilutive effect of shares issuable under employee share plans:		
LTIP awards	**–**	10,666
Approved and unapproved plans	**–**	17
Employee share awards	**–**	2,874
Diluted weighted average number of shares	**357,157**	508,722
Potentially issuable shares not included above:		
LTIP awards	**29,976**	18,575
Approved and unapproved plans	**1,124**	2,298
Employee share awards	**4,928**	2,277
Number of potentially issuable shares	**36,028**	23,150

4.3 Exceptional Income – India Tax Refund

In November 2021, the Group entered into statutory undertakings with the Government of India in respect of new legislation enabling the refund of retrospective taxes collected from Capricorn in India by way of asset seizures since 2014. Under the new legislation Capricorn was required to withdraw its rights under the international arbitration award and cease enforcement action. Capricorn undertook all necessary steps under the legislation and the refund of taxes of INR79bn (approximately US$1.06bn) was received in February 2022. The Group recorded the tax refund due as exceptional income in the results for the year ending 31 December 2021 at the exchange rate prevailing at the year end, recognising an asset of US$1,070.7m.

On receipt of the tax refund in February 2022, the Group immediately converted the Indian Rupee receipt into US$. After conversion, the US$ sums received were US$1,056.0m with an exchange loss of US$14.7m recorded which is included in the results for the year ended 31 December 2022.

The presentation of the tax refund of US$1,070.7m in 2021 as exceptional income within profit or loss before taxation reflects that the asset seizures in 2014, enforced by the India Income Tax Department (IITD), resulted in an exceptional loss on disposal of those assets which was also recorded in profit or loss before taxation. Though the proceeds seized were allocated against retrospective tax assessments raised by the IITD, and that the tax collected has now been refunded, no tax charge was ever recorded in the Group Financial Statements, therefore the accounting treatment of the tax refund as a non-tax item is consistent with past disclosures.

Section 5 – Taxation

5.1 Tax Charge on Profit/(Loss) for the Year

Analysis of tax charge on (Loss)/Profit for the year

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Current tax charge:		
Overseas corporation taxes	**55.0**	7.3
Total current tax charge on (loss)/profit from continuing operations	**55.0**	7.3
Deferred tax (credit)/charge:	**(0.1)**	0.1
Reversal of deferred tax charge on recognition of financial assets		
Deferred tax movement on non-current assets – Egypt	**(32.7)**	(3.2)
Deferred tax charge on non-current assets – Egypt – prior year adjustment	**9.8**	–
Deferred tax charge/(credit) from continuing operations	**(23.0)**	(3.1)
Total tax charge on (loss)/profit from continuing operations	**32.0**	4.2
UK deferred tax charge	**4.1**	–
Total deferred tax charge on profit from discontinued operations	**4.1**	–

The current tax charge of US$55.0m includes tax of US$54.8m (period from 24 September 2021 to 31 December 2021: US$7.3m) which relates to taxable profits arising in Egypt. This tax 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 2022 US$m	Year ended 31 December 2021 US$m
(Loss)/Profit before tax from continuing operations	**(128.3)**	873.7
(Loss)/Profit before tax multiplied by the UK statutory rate of corporation tax of 19% (2021: 19%)	**(24.4)**	166.0
Effect of:		
Special tax rates and reliefs applying to oil and gas activities in the UK	**(25.5)**	(10.7)
Special tax rates and reliefs applying to oil and gas activities in Egypt	**18.6**	3.0
Impact on deferred tax of adjustments in respect of prior years	**9.8**	–
Temporary differences not recognised	**41.1**	26.0
Disposal of financial assets at fair value through profit or loss	**0.2**	–
Permanent items (non-taxable)/non-deductible	**6.9**	23.4
India tax refund not subject to tax	**–**	(203.5)
Group relief surrendered against profits/gains arising in discontinued operations	**5.3**	–
Total tax charge on (loss)/profit from continuing operations	**32.0**	4.2

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2022 of 19% (2021: 19%). The Finance Act 2021 was enacted on 10 June 2021 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% (2021: 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)

5.1 Tax Charge on Profit/(Loss) 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% (2021: 40.55%).

The applicable rates have been reflected in these financial statements as appropriate.

The effect of temporary differences not recognised of US$41.1m (2021: US$26.0m) includes:

- a US$33.8m (2021: US$15.4m) movement in the year in respect of the unrecognised deferred tax asset on UK ring fence corporation tax losses, energy (oil and gas) profits levy losses, supplementary charge tax and oil and gas investment allowances;
- a US$(10.0)m (2021: US$(0.9)m) movement in the year in respect of unrecognised deferred tax assets on Egypt oil and gas assets and tax losses;
- a US$4.7m (2021: US$9.5m) 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 US$12.6m (2021: US$2.0m) 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 US$6.9m (2021: US$23.4m) includes:
- US$2.2m (2021: US$3.2m) in respect of share-based payment charges;
- US$(5.1)m (2021: US$10.4m) predominantly in respect on non-taxable adjustments related to foreign exchange and tax relief on exercised share options;
- US$9.3m (2021: US$2.2m) in respect of costs in Egypt considered non-deductible for tax purposes;
- US$(3.4)m (2021: US$6.8m) in respect of overseas costs considered non-deductible/taxable; and
- US$3.9m (2021: US$0.8m) in respect of other permanent items considered non-deductible.

5.2 Deferred Tax Assets and Liabilities

Reconciliation of Movement in Deferred Tax Assets/(Liabilities):

	Temporary difference in respect of non-current assets US$m	Losses US$m	Other temporary differences US$m	**Total US$m**
Deferred tax assets				
At 1 January 2021	(250.3)	191.5	58.8	–
Deferred tax credit/(charge) through the Income Statement	250.3	(191.5)	(58.8)	–
At 31 December 2021	–	–	–	–
Deferred tax credit through the Income Statement	7.1	–	–	**7.1**
At 31 December 2022	**7.1**	**–**	**–**	**7.1**
Deferred tax liabilities				
At 1 January 2021	–	–	–	–
Deferred tax (charge)/credit recognised on business combinations	(52.5)	6.7	–	(45.8)
Deferred tax (charge)/credit through the Income Statement	(11.7)	14.9	(0.1)	3.1
At 31 December 2021	(64.2)	21.6	(0.1)	(42.7)
Deferred tax credit/(charge) through discontinued operations	–	9.1	(13.2)	**(4.1)**
Deferred tax credit/(charge) through the Income Statement	32.5	(16.7)	0.1	**15.9**
At 31 December 2022	**(31.7)**	**14.0**	**(13.2)**	**(30.9)**

Deferred tax assets analysed by country:	**At 31 December 2022 US$m**	At 31 December 2021 US$m
Egypt	**7.1**	–
	7.1	–

Section 5 – Taxation (continued)

5.2 Deferred Tax Assets and Liabilities (continued)

Deferred tax liabilities analysed by country:	At 31 December 2022 US$m	At 31 December 2021 US$M
Egypt	**(26.8)**	(42.6)
UK	**(4.1)**	(0.1)
	(30.9)	(42.7)

Recognised deferred tax assets
Egypt
Deferred tax assets of US$7.1m (2021: US$nil) have been recognised in respect of Egypt oil and gas non-current assets temporary differences of US$17.6m (2021: US$nil) on two concessions as future profits are expected to be available on those concessions to recover the value of the assets. In 2021, a deferred tax asset on Egypt tax losses of US$16.4m partially offset a deferred tax liability on temporary differences in respect of Egypt oil and gas assets on a single concession. Those tax losses were used in full during 2022.

At the balance sheet date the Group has US$24.7m (2021: US$51.4m) temporary differences in respect of Egypt non-current assets and US$27.4m (2021: US$25.8m) 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.

UK
As at the balance sheet date, a deferred tax asset has been recognised in respect of UK Ring Fence Corporation Tax (RFCT) losses and UK supplementary charge tax (SCT) losses of US$12.1m (2021: US$17.8m) only to the extent that it offsets in full a deferred tax liability on ring fence temporary differences in respect of non-current assets.

No deferred tax asset has been recognised on other UK ring fence temporary differences of US$278.0m (2021: US$141.5m) relating to RFCT losses, US$274.1m (2021: US$69.8m) relating to SCT losses and US$609.5m (2021: US$642.0m) relating to oil and gas investment allowances and Energy Profits Levy (EPL) losses, as it is not considered probable that these amounts will be utilised in future periods.

Deferred tax liabilities
Egypt
Deferred tax liabilities of US$26.8m (2021: US$42.6m) have been recognised across six concessions in respect of taxable temporary differences of US$66.0m (2021: US$121.5m) related to Egypt oil and gas non-current assets. No tax losses are available to offset these taxable temporary differences (2021: US$16.4m of Egypt tax losses offset taxable temporary differences, as noted above).

UK
A deferred tax liability of US$4.1m (2021: US$nil) has been recognised in respect of earnout consideration due in relation to the disposal of UK oil and gas producing assets.

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 2022 US$m	At 31 December 2021 US$M
UK fixed asset temporary differences	**35.0**	30.2
UK RFCT trading losses	**278.0**	141.5
UK SCT loss	**274.1**	69.8
UK other ring fence temporary differences	**609.5**	642.0
UK excess management expenses	**354.9**	386.3
UK non-trade deficits	**80.6**	72.6
UK temporary differences on share-based payments	**39.5**	30.3
UK disallowed tax interest expenses	**19.9**	19.9
UK temporary difference on financial asset held at fair value	**0.5**	–
Egypt fixed asset temporary differences	**24.7**	51.4
Egypt ring fence corporation tax trading losses	**27.4**	25.8
Mexico tax losses and other temporary differences	**196.5**	136.1
Brazil tax losses	**–**	0.6
Israel temporary differences in respect of non-current assets	**–**	2.7
Mauritania fixed assets temporary differences	**0.7**	–
Suriname fixed assets temporary differences	**0.6**	–

Section 6 – Discontinued Operations

6.1 Profit from Discontinued Operations

Sale of Capricorn's interest in the Catcher and Kraken Producing Assets ("UK producing Assets")
On 8 March 2021, Capricorn agreed to sell its interests in the UK Catcher and Kraken producing assets to Waldorf Production Limited, and following approval from joint operation partners and relevant authorities the sale completed on 2 November 2021.

Consideration under the agreement was:
- an initial cash consideration of US$425.0m, subject to adjustments for working capital and other customary interim period adjustments from the economic effective date of 1 January 2020;
- further purchaser bonds of US$30.0m, sold shortly after completion, and
- additional contingent consideration ('earnout consideration') dependent on oil prices from 2021 to the end of 2025 and minimum production levels being achieved, which at 2 November 2021 had a fair value of US$197.4m including an adjustment for expected credit losses.

At the date of disposal, the interim period and working capital adjustments reduced the consideration due on completion by US$361.1m. The interim period adjustments reflect the cash inflows generated from oil and gas sales during the period, offset by outflows on the costs of production, including fixed and variable lease payments, and working capital movements. The total consideration including all adjustments was US$289.6m.

The fair value of the earnout consideration fell by US$8.1m from 2 November 2021 to US$189.3m at 31 December 2021. The first annual payment of earnout consideration of US$75.8m due on 2021 production was received in 2022. With strong oil prices and production levels above forecast across the assets, the fair value of the remaining earnout consideration receivable increased by US$110.4m during 2022 to a closing fair value receivable of US$224.1m in the Balance Sheet as at 31 December 2022 (see note 3.5).

The earnout consideration was recognised in the 2021 loss on sale calculation and remains as a receivable recognised on the Balance Sheet as this future income represents consideration receivable from the disposal of a business rather than revenue generated from the sale of an asset, which would fall under IFRS 15.

A breakdown of the total profit from discontinued operations is as follows:

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Revenue	**–**	411.8
Cost of sales	**1.5**	(103.8)
Depletion and amortisation	**–**	(35.3)
Gross profit	**1.5**	272.7
Impairment of disposal group – property, plant & equipment – development/producing assets	**–**	(56.0)
Operating profit	**1.5**	216.7
Gain/(Loss) on financial asset at fair value through profit or loss – earnout consideration	**110.4**	(8.1)
Finance income	**1.5**	–
Finance costs	**–**	(9.8)
Profit before tax from discontinued operations	**113.4**	198.8
Taxation	**(4.1)**	–
Profit after tax from discontinued operations	**109.3**	198.8
Loss on disposal of discontinued operations	**–**	(173.8)
Profit from discontinued operations	**109.3**	25.0

Earnings Per Share for Profit/(Loss) from Discontinued Operations	**2022 cents**	2021 cents
Profit/(Loss) per ordinary share – basic (cents)	**30.60**	5.05
Profit/(Loss) per ordinary share – diluted (cents)	**30.60**	4.91

An audit of the Catcher joint operation for the period from January 2019 to December 2020 resulted in a refund of production costs from the operator of US$1.5m which has been credited to discontinued operations in 2022.

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

Sale of Capricorn's interest in the Catcher and Kraken Producing Assets ("UK producing Assets") (Continued)

The loss on disposal of the UK producing assets on 2 November 2021 is calculated as follows:	US$m
Base consideration	425.0
Interim period adjustment	(361.1)
Cost of disposal	(1.7)
Net proceeds	62.2
Purchaser bonds	30.0
Earnout consideration	197.4
Total net consideration	289.6
Derecognition of assets and liabilities:	
Assets held-for-sale, net of impairment	(837.0)
Liabilities held-for-sale	373.6
Loss on disposal of UK North Sea producing assets	(173.8)

6.2 Cash Flow Information for Discontinued Operations

	UK producing assets US$m	**Year ended 31 December 2022 US$m**
Net cash flows used in operating activities	**(9.6)**	**(9.6)**
Net cash flows from investing activities	**77.2**	**77.2**
Net increase in cash and cash equivalents	**67.6**	**67.6**

	UK producing assets US$m	Period ended 2 November 2021 US$m
Net cash flows from operating activities	240.4	240.4
Net cash flows used in investing activities	(9.4)	(9.4)
Net cash flows used in financing activities	(42.5)	(42.5)
Net increase in cash and cash equivalents	188.5	188.5

2021 earnout and interest payment received in June 2022.

There was no cash and cash equivalents disposed of on the sale of the UK producing assets in 2021.