CEO'S REVIEW

Building momentum as we unlock value
2024 was a pivotal year for Capricorn during which we continued to improve the operational performance of the Egyptian business and continued our culture of financial discipline, which helped the Company achieve the upper end of production guidance. Following the strategic reset of the business in 2023 to become the cash flow–focused energy producer that we are today, we have made significant progress on delivering our business plan to unlock further value from our assets.

Key highlights
Highlights for the year include a more favourable fiscal environment in Egypt and improved operational alignment with our JV partner, prompting us to resume investment in May 2024 with a full year total net capital expenditure of $63m. This included various infrastructure projects and the drilling of 11 development and two committed exploration wells, fulfilling our outstanding work commitments across our three licences.

Full year WI Egypt oil and gas production was 23,763 boepd, comprising 44% liquids, generating revenues of $147m at an average realised oil price of $79.3/boe and a fixed gas price of $2.9/mscf. Our total production costs were $42m ($4.8/boe). Net cash generated from Egypt oil and gas production was $106m, with overall Group net cash of $23m, comprising $123m cash and $100m debt.

Our stronger balance sheet allowed us to continue to deliver on our commitment to shareholder returns with around $57m returned in 2024. This was a combination of a $50m special dividend paid in the first half of the year and the resumption in June 2024 of the $25m share buyback programme initially announced in May 2023, which completed in November 2024. This takes the total capital returned to shareholders to approximately $620m since Q1 2023 and returning excess capital to shareholders remains a core focus going forward.

In December 2024, the Company was notified by Woodside Energy ("Woodside") that all terms and conditions had been satisfied under the sale and purchase agreement relating to the disposal of our production sharing contract (PSC) interests in Senegal, following which a receipt of $50m was collected in January 2025.

We withdrew from our last remaining non-core interest in Mexico at the end of Q2 2024. We also continued our efforts to refine our overheads and are on track to achieve our target of approximately 80% reduction in G&A costs from 2022 to 2025.

Cash flow focus
At the beginning of the year the leadership team was strengthened with Eddie Ok joining as CFO, and Geoff Probert as COO, adding significant financial and operational expertise, particularly in Egypt. Their addition perfectly complements the capabilities and dynamism of Capricorn's existing team of experts who have been undertaking day-to-day responsibilities and dealing with legacy issues, as well as actively exploring business development and M&A opportunities.

Over the year the team has been working hard to improve our knowledge of and optimise our producing assets in Egypt with the goal of establishing a more predictable operations base. Working with our operating partner Cheiron, we prioritised liquids-focused operations in the Badr El Din (BED) area and renewed our efforts to actively manage those reservoirs with water injection to improve profitability. This has increased our understanding of the portfolio and led to better forecasting of both operating results and cash collections, with cash receipts totalling $135m during the year.

Key to delivering our goal of improved cash flows in Egypt is strengthened alignment with EGPC through the negotiation of improvements to our concession agreements, incentivising the partnership to invest and grow reserves and production in Egypt, satisfying domestic oil and gas demand and reducing the country's reliance on imports. The Government recognises the industry's need to encourage more investment and Egypt's Minister of Petroleum and Mineral Resources has outlined his intent to improve the investment environment to boost oil and gas production in country.

In Q3 2024, together with our operating partner Cheiron, Capricorn proposed an amendment to consolidate the eight jointly owned existing Egyptian development concession agreements into a single, integrated concession agreement. EGPC formally convened an investment committee in September 2024 to assess the proposal, with the process expected to complete in 2025. The process is well established in Egypt, as Eddie, Geoff and I successfully initiated it while at TransGlobe Energy, so we have a track record of securing improved fiscal terms, acting as a stimulus to production and generating investment.

M&A
Outside of Egypt, our priority is to develop the scale and longevity of the business to increase cash flows and deliver consistent shareholder returns. Our objective is to diversify and expand operations by leveraging our core corporate capabilities to identify, acquire and exploit the right assets in the right locations. We are currently evaluating M&A opportunities in the UK North Sea and in the MENA region against a strict set of strategic, financial and returns criteria, and look forward to updating the market on our efforts when appropriate.

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2025 Outlook
Following a transformational two years, Capricorn now has the operational and capital discipline, conservative balance sheet, assets, expertise and Egypt's improved fiscal environment to realise the embedded value within the Company.

Most importantly, a key milestone in unlocking further value in our asset base will be achieved through the amendment to the terms of our concession agreements to support increased investment and strengthened returns, and we expect this process to complete in H1 2025. It is clear that EGPC and the Ministry are as motivated as we are to create the right investment environment to incentivise the industry to go after additional production and reserves. Our self-funding Egyptian asset base provides a solid foundation from which to grow, and we remain committed to aligning our Egyptian investment with funds available and generated in country. The Egyptian business environment continues to improve, providing us with assurances that overdue receivables will continue to be repaid.

We were pleased to report the receipt of $50m in January after satisfying all terms and conditions related to our disposal of the Sangomar asset to Woodside Energy. The Company's stated desire to return the $50m payment from Woodside has been impacted by the requirement to retain cash for any future tax obligations in Senegal related to the divestment, along with Waldorf Production UK's ("Waldorf's") failure to pay Capricorn $22.5m when due in January 2025.

Capricorn's investment proposition remains compelling as we enter H1 2025 with significant momentum and a sharp focus on developing the scale and longevity of the business to build cash flows that will ultimately grow our production base.

I would like to thank my colleagues and shareholders for their continued support and look forward to another year of delivery in 2025.

Randy Neely
CEO

27 March 2025

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