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FOR IMMEDIATE RELEASE **5 January 2023**

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

Update to Shareholders Regarding Combination with NewMed Energy and Palliser Capital's Director Nominations

Board Reiterates Support for Combination with NewMed

Addresses Incorrect Facts and Assumptions Made by Palliser about Capricorn and the NewMed Combination

Demonstrates Superior Value of the NewMed Combination over Palliser Plan

Invites Palliser Nominees to Review Combination Information and Analysis under NDA

Capricorn Energy PLC (LON: CNE), one of Europe's leading independent upstream energy companies, today filed an investor presentation and the Board of Directors sent an open letter to shareholders to update them on Capricorn's proposed special dividend and combination (together, the "**Combination**") with NewMed Energy ("**NewMed**") (TLV: NWMD), a leading Israeli energy limited partnership. This investor presentation and letter also cover the requisition notice (the "**Requisition Notice**") delivered by Palliser Capital Master Fund Ltd. ("**Palliser**") requiring that the Board of Directors of Capricorn (the "**Board**") convene a general meeting of shareholders for the purposes of considering and, if thought fit, approving resolutions to: (i) remove seven incumbent directors from the Board and (ii) appoint six new proposed candidates to the Board selected by Palliser.

The investor presentation is available on www.capricornenergy.com.

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Dear Shareholders,

You will be making key decisions in the coming weeks regarding your investment in Capricorn, including our proposed Combination with NewMed and the composition of Capricorn's Board.

Over the past year, following the arbitral award against the Government of India and clarity on the receipt of that cash, and recognising the challenges of a standalone future as a subscale, non-operated E&P company, focused on Egypt with considerable working capital requirements, the Board, together with its independent financial and legal advisors, extensively reviewed a comprehensive range of strategic alternatives. As part of this process, the Board held 20+ meetings over the last 12 months in their review of alternatives, including mergers, liquidations, breakups and potential modifications to its strategy.

The Board engaged in discussions with multiple counterparties regarding potential transactions and thoroughly reviewed all proposals received. In evaluating all proposals, the Board considered the potential value creation from a transaction against pursuing a standalone strategy (including a breakup or liquidation). The Board initially pursued a transaction with Tullow Oil plc capitalising on West African oil growth, but ultimately concluded that the Combination with NewMed would deliver significantly more value to shareholders by providing material upfront cash return and creating a premium MENA gas-weighted champion with superior yield, growth and energy transition benefits.

Specifically, the Combination with NewMed will:

- enable a cash return of approximately $620 million[1] (US$120 million more than could be returned to ordinary shareholders on a standalone basis[2] in the near-term). This substantial capital return facilitated by the Combination is in addition to the more than US$780 million[3] in cash returned to shareholders over the past two years and US$5.5 billion[4,5] over the past 15 years;
- realise approximately a 46% premium[6] for our remaining assets and provide exposure to the largest gas-focused, UK-listed energy company on LSE's premium segment (by 2P reserves); and
- create a world-class gas and energy champion that will:
    - provide enhanced scale, liquidity and a superior investment case;
    - benefit strategically from both energy security and energy transition trends;
    - generate approximately US$3 billion in unlevered free cash flow[7] between 2023-2027 from existing assets, with a shareholder distribution policy of at least 30%;
    - have resilient downside commodity price protection, whilst retaining upside exposure, together with low operating costs and minimum maintenance capex;
    - target a doubling of production from development projects within the existing portfolio by 2030; and
    - offer an enhanced ESG profile with the scale and resources necessary to accelerate our commitment to achieving net zero Scope 1 and 2 carbon emissions by 2040 across the combined portfolio.

The Capricorn Board believes that, as a result of the Combination, the Combined Group will have a very high-quality asset portfolio and a resilient revenue base generating regular returns to Capricorn Shareholders. This includes the largest interest in the world-class Leviathan Field, enabling the Combined Group to provide gas to growing regional energy markets and potentially LNG to European and international markets. The Combined Group will be competitively positioned to facilitate and further accelerate gas trade and decarbonisation in the MENA region and will invest in the transition to a low carbon energy system in line with its commitment to achieve net zero Scope 1 and Scope 2 emissions by 2040.

[1] Proposed pre-completion special dividend of US$620m paid to Capricorn's existing shareholders which includes ~US$15m, which is subject to finalisation of an independent 3rd party report into the fair valuation, which is to be payable to more than 200 participants under the Capricorn Share Plans, comprising current employees (including the executive directors) and a number of former employees

[2] Capricorn Board estimate based on an ongoing independent 3rd party working capital exercise considering the capital requirements of the business, its ongoing financial guarantee obligations and assessing reasonable downside scenarios over an 18-month projection period

[3] H1 2022A

[4] Includes return of US$620m associated with the Combination

[5] Proposed pre-completion special dividend of US$620m paid to Capricorn's existing shareholders which includes ~US$15m, which is subject to finalisation of an independent 3rd party report into the fair valuation, which is to be payable to more than 200 participants under the Capricorn Share Plans, comprising current employees (including the executive directors) and a number of former employees

[6] Premium based on £0.99 exchange value per share and theoretical Capricorn GBP share price ex-dividend of £0.68, announcement date (28 September 2022)

[7] Unlevered free cash flow for existing producing assets, according to Leviathan NSAI report as of December 2021 and Capricorn estimate

We have detailed the Combination's value proposition most recently in a presentation that we circulated on 19 December 2022. We encourage our shareholders to review these materials, which can be found on our website here.

Capricorn's Board and management team have met with shareholders representing a majority of our outstanding shares since the Combination has been announced – we have very much appreciated their input and insight. We also have met eleven times with Palliser as part of that shareholder engagement process. We share their stated commitment to maximising shareholder value, and it was in that spirit that we met with the Palliser team.

Palliser's alternative view for future value creation is set out in their filed presentation and includes a Value Optimisation Plan (the "**Plan**") as an alternative to the Combination. We have reviewed this Plan in detail, together with our independent financial advisors. We believe the Plan is based on an overstated value of Capricorn on a standalone basis. This is due to Palliser's reliance on several outdated and incorrect facts and assumptions, including being able to immediately return to shareholders approximately US$620 million[8] in cash on a standalone basis[9], valuing the contingent value rights at over US$300 million and underestimating the costs and challenges associated with optimising the Egyptian fiscal terms. It also does not reflect the time and costs which would be involved in executing their Plan and underestimates the value creation potential of the NewMed Combination.

Our analysis concluded that pursuing this Plan would be likely to deliver less value with higher risk over a longer execution period. Specifically, our analysis, adjusting for Palliser's incorrect facts and assumptions, indicates that the Plan would likely deliver an estimated US$866 million in fair market value and only US$645 million when taking into account the P / Core NAV trading discount observed in peers[10], which is meaningfully below the implied current NewMed offer value[11] of US$920 million[12].

We want to ensure shareholders have all the accurate and up-to-date information required to make a decision. In particular, here are the facts underlying our analysis and corrections to the Plan:

- The Plan assumes a net cash balance that is US$34 million too high due to our ongoing investment in Egypt (and of our US$597 million balance, $53 million is restricted and not available for capital return);
- The fair value of the UK receivable has reduced from US$241 million at 30 June 2022 to US$205 million as a result of falling oil prices; ~US$120 million of the expected receivable is already factored into Capricorn's working capital projections;
- The risked value of the Senegal contingent payment is US$57 million, US$16 million less than assumed by the Plan as a result of an increased risk of delay linked to the Woodside revised start up guidance to "late 2023" for Sangomar;
- Therefore, the aggregate value of the contingent payments is approximately US$260 million, ~US$50 million lower than the assumed value in the Plan, and of this only ~US$140 million could be distributed to shareholders;
- The Plan's assumed value for the Egyptian assets is just US$71 million with no further investment, and fails to state that the full 2P value of US$335 million requires multi-year capital investment. Capricorn has guided the market to capex of ~US$75 million per year from 2023 to 2026[13]. Additionally, it includes US$47 million of value to exploration, which should not be

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[8] Proposed pre-completion special dividend of US$620m paid to Capricorn's existing shareholders which includes ~US$15m, which is subject to finalisation of an independent 3rd party report into the fair valuation, which is to be payable to more than 200 participants under the Capricorn Share Plans, comprising current employees (including the executive directors) and a number of former employees
[9] Capricorn Board estimate based on an ongoing independent 3rd party working capital exercise considering the capital requirements of the business, its ongoing financial guarantee obligations and assessing reasonable downside scenarios over an 18-month projection period
[10] Peer group includes: GKP, Serica, Genel, Seplat, Enquest, Pharos, Harbour, Tullow Oil
[11] As at 30 December 2022
[12] Assuming an issued share capital of 315.1 million shares and taking into account the proposed related payment to participants in certain of Capricorn's share plans of a cash sum referable to the effect of the Transaction; Based on NewMed share price and foreign exchanges rates on 30 December 2022 and assuming a Capricorn issued share capital of 315.1 million shares
[13] ERCE Fair Market Valuation Report

included in Core NAV or fair market value, and their price deck materially exceeds lending bank, peer assumptions and futures curve[14]; and

- The Plan assumes that US$61 million of receivables for sales to EGPC in Egypt will be immediately recovered, whereas the Company expects the working capital position to remain flat.

In addition, here are our observations on a number of the assumptions underlying the deliverability of the Plan:

- On a standalone basis, the Board estimates that Capricorn's cash available to be distributed in the near-term would not be more than US$500 million, due to the group's capital commitments, financial guarantees and requirement to hold working capital for downside commodity price, production and cost scenarios. The working capital exercise is being independently validated;
- The hypothetically distributable amount of the contingent payments is ~US$140 million – not the Plan's more than US$300 million. Furthermore, the Company would likely be required to retain a material stake in the underlying rights in the event of a distribution, which would reduce the issuable quantum and liquidity of any potential instrument. With at least 40% of Capricorn's shareholders expected to be forced sellers of any such financial instrument, the market value would be expected to trade at a significant discount;
- The Plan's assessment of the value creation potential from PSC modernisation in Egypt is overly optimistic. Specifically, the Plan's valuation of the upside potential from PSC modernisation is based on the terms achieved by APA Corporation in Egypt, and yet fails to fully account for the fact that a US$100 million signature bonus was paid to EGPC, and a material capital programme was committed to secure revised terms; and
- The Plan advocates a future for Capricorn as a subscale, non-operated Egyptian-focused exploration and production company with limited capital resources, but fails to reflect the discount to asset value at which similar companies trade; if you apply average market discounts (26-43% based on observed peer trading ranges[15]), the value of the Combination exceeds the value of Palliser's Plan – <u>even when applying Palliser's incorrect facts and assumptions.</u>

Palliser's presentation additionally makes a number of incorrect assertions about Capricorn's historical performance and misleading characterisations of the Company's track record. Here are the facts:

- Capricorn's total shareholder returns have outperformed the peer median over each of the last one- and three-year periods by ~20%[16];
- Capricorn's Board and management have demonstrated disciplined capital stewardship, having successfully re-positioned the Company by exiting more mature and higher capital intensity assets, refocusing on low-cost, higher gas-weighted Egyptian assets and returning more than US$780 million[17] in cash to shareholders over the past two years and US$5.5 billion[18,19] over the past 15 years;
- Capricorn has maintained a disciplined approach to costs, with one of the lowest G&A as a percentage of market capitalisation versus London-listed E&P peers[20];
- Capricorn has already implemented G&A reductions, reducing headcount by one-third in 2022, which we expect to deliver an annual G&A saving of ~US$7.5 million[21] from 2024, while other cost-saving measures are ongoing;
- Capricorn's Board has demonstrated its commitment to maximising shareholder value, as evidenced by the recommendation of the NewMed Combination, which will accelerate the

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[14] ERCE nominal oil price deck of US$96/bbl, US$94/bbl, US$86/bbl, US$80/bbl, US$82/bbl, US$83/bbl, US$85/bbl, US$87/bbl,US$88/bbl, US$90/bbl (2022-2031)
[15] Based on sell-side analyst research, Price to Core NAV and Price to Total NAV. Peers include Energean, Enquest, Genel, GKP, Harbour, Pharos, Seplat, Serica and Tullow as at 30 December 2022
[16] Peer group includes: GKP, Serica, Genel, Seplat, Enquest, Pharos, Harbour, Tullow Oil. Bloomberg as of 30 December 2022
[17] H1 2022A
[18] Includes return of US$620m associated with the Combination
[19] Proposed pre-completion special dividend of US$620m paid to Capricorn's existing shareholders which includes ~US$15m, which is subject to finalisation of an independent 3rd party report into the fair valuation, which is to be payable to more than 200 participants under the Capricorn Share Plans, comprising current employees (including the executive directors) and a number of former employees
[20] Peer group includes: GKP, Serica, Genel, Seplat, Enquest, Pharos, Harbour, Tullow Oil
[21] Excluding one-off costs to be incurred in 2023

return of approximately US$620 million[22] in cash to Capricorn shareholders, ensure the best platform to maximise the value of Capricorn's asset portfolio and give our shareholders exposure to a highly strategic business targeting a doubling of production by 2030; and

- The Board, as executives and directors, collectively has 200+ years of oil & gas experience and has executed and overseen more than US$100 billion in M&A transaction volume.

We urge Capricorn shareholders to carefully review these materials. We have real concerns that shareholders who rely on the Plan, without understanding the material risks and errors in its analysis, will likely be voting for value destruction.

More recently, Palliser has requisitioned an extraordinary general meeting to remove seven current Capricorn directors and replace them with six of its own nominees. If successful, we believe it is likely that Palliser's nominees will terminate the Combination in favour of implementing the Plan, which is likely to destroy value.

The Capricorn Board is committed to the highest corporate governance standards. Accordingly, the Board invites each of Palliser's nominees to sign non-disclosure agreements and give them the opportunity to review Capricorn's business plan and additional details about the Combination and the Board's process. This would enable them to better assess for themselves the strategic alternatives that have previously been explored by the Board and to evaluate the body of information underpinning the Board's recommendation of the Combination.

The Capricorn Board and management team are focused on delivering maximum value to Capricorn shareholders. We expect to issue the notice for Palliser's requisitioned general meeting on 9 January 2023 – for a 1 February 2023 meeting – and expect to hold the meeting to vote on the Combination on or around the same date. We look forward to engaging with our shareholders in advance of these important votes. We thank you for your investment and will continue to seek your input at this important time.

Sincerely,

The Capricorn Board of Directors

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[22] Proposed pre-completion special dividend of US$620m paid to Capricorn's existing shareholders which includes ~US$15m, which is subject to finalisation of an independent 3rd party report into the fair valuation, which is to be payable to more than 200 participants under the Capricorn Share Plans, comprising current employees (including the executive directors) and a number of former employees

About Capricorn Energy PLC

Capricorn Energy PLC is one of Europe's leading independent upstream energy companies, headquartered in Edinburgh, UK. Historically we have discovered, developed and produced oil and gas in multiple settings throughout the world. Today our focus is on growing our current gas and liquids production base through development and exploration, with an ambition to use our strong balance sheet to expand that production base into other attractive markets and to commercialise exploration resources. We adhere to high sustainability standards, we invest to ensure our portfolio remains competitive through stringent energy transition scenarios and we are committed to net zero carbon emissions by 2040.

For further information on Capricorn please see: www.capricornenergy.com

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Takeover Code disclosure

In accordance with Rule 26.1 of the Code, a copy of this announcement and certain other documents required to be published pursuant to Rule 26 of the Code will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) at www.CapricornEnergy.com by no later than 12 noon (London time) on the business day following the date of this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, any cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in this document should be construed as a profit forecast or interpreted to mean that the combined group's earnings in the first full year following implementation of the Combination, or in any subsequent period, would necessarily match or be greater than or be less than those of NewMed or Capricorn for the relevant preceding financial period or any other period.

Cautionary Note Regarding Forward-looking Statements

This announcement includes certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain plans and objectives of the Board. These forward-looking statements can be identified by the fact that they do not relate to any historical or current facts. Forward-looking statements often use words such as "proposed", "anticipate", "expect", "estimate", "intend", 'plan", "believe", "will", "may", "should", "would", "could" or other words with a similar meaning. These statements are based on assumptions and assessments made by the Board in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes appropriate. By their nature, forward-looking statements involve risk and uncertainty and there are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements.

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This announcement is not intended to, and does not, constitute or form part of any offer, invitation, or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to this announcement or otherwise. Any offer, if made, will be made solely by certain offer documentation which will contain the full terms and conditions of any offer, including details of how it may be accepted. The distribution of this announcement in jurisdictions other than the United Kingdom and the availability of any offer to shareholders of Capricorn who are not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom or shareholders of Capricorn who are not resident in the United Kingdom should inform themselves about, and observe any applicable requirements. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

Information for US persons

The Combination relates to the acquisition of an Israeli limited partnership and is proposed to be effected by means of a scheme of arrangement under the laws of Israel. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Scheme is subject to the disclosure requirements, rules and practices applicable in Israel to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules.

The New Capricorn Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Capricorn Shares may not be offered, sold or delivered, directly or indirectly, in or into or from the United States absent registration under the US Securities Act or an exemption therefrom. The New Capricorn Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Under applicable US securities laws, persons (whether or not US persons) who are or will be "affiliates" (within the meaning of the US Securities Act) of Capricorn or NewMed prior to, or of Capricorn after, the consummation of the Combination will be subject to certain US transfer restrictions relating to the New Capricorn Shares received pursuant to the Scheme.

Capricorn has not analysed or determined the U.S. tax consequences to a US holder of receiving New Capricorn Shares pursuant to the Combination, or owning New Capricorn Shares following the Combination. In addition, Capricorn will not provide any annual determinations as to whether it is a passive foreign investment company for U.S. federal income tax purposes for any taxable year. Each US holder is urged to consult his or her independent professional adviser immediately regarding any tax payment, tax reporting or other tax consequences of the Combination and ownership of New Capricorn Shares under applicable U.S. federal, state, local or other tax laws.

The financial information herein has been prepared in accordance with IFRS and may not be comparable to financial information of companies whose financial statements are prepared in accordance with US GAAP.

It may be difficult for US holders to enforce their rights and claims arising out of the US federal securities laws, since Capricorn and NewMed are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

None of the securities referred to in this Announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Announcement. Any representation to the contrary is a criminal offence in the United States.

Rounding

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of figures that precede them.