

19 December 2022

Dear Capricorn Shareholders

Proposed General Meeting of Capricorn Energy PLC

We are writing to you today on behalf of Palliser Capital Master Fund Limited (together with its affiliates, “Palliser”, “we”, “us” or “our”) to inform you that we have requisitioned the board of Capricorn Energy PLC (“Capricorn” or “the Company”) to convene a general meeting (the “EGM”) of the Company. Palliser currently holds 6.96% of the shares of Capricorn, making us the third-largest shareholder of the Company.

Introduction

The EGM will enable shareholders to vote on resolutions to effect the removal of seven current Capricorn directors and the appointment of six independent, highly-qualified replacement candidates (the “Resolutions”). These individuals have been selected following a rigorous search process and details of their backgrounds and qualifications, together with more information about the Resolutions, are outlined in a [presentation](#).

Calling the EGM reflects Palliser's loss of confidence in the judgement and priorities of the Company's current board, resulting both from an unwillingness to respond to shareholders' concerns and a sustained inability to execute a value accretive corporate strategy for shareholders. We believe that, adopted in their entirety, these Resolutions will effect a comprehensive reform and strengthening of Capricorn's board and enable a better path forward for the Company's long-suffering shareholders.

Disingenuous Dialogue

The decision to requisition the EGM is not one that we have taken lightly. Rather, it follows many months and multiple instances of engagement with the Company's senior management, directors and other executives.

Despite these numerous interactions, management and the current directors have remained closed-minded and obstinate in their claims that the NewMed transaction represents the best outcome for Capricorn's shareholders. This follows their similarly misguided recommendation of the now-terminated merger with Tullow. In short, we and other shareholders have heard this all before and simply do not credit the board's view that a quick sale at the wrong price represents the best means of maximising value, particularly given the multiple and scalable value enhancement opportunities that remain available to Capricorn today.

As outlined in the various materials that we have issued, supported by in-depth expert analysis, we believe that better avenues are available for the Company to realise significantly more value and for meaningfully lower risk than is on offer via the NewMed transaction. We have yet to hear any credible arguments from management challenging our Value Optimisation Plan or any other views we have presented in our materials to date.

More disturbingly, and despite the significant outpouring of negative shareholder sentiment, the board has refused to provide shareholders with any clarity on strategic alternatives for Capricorn should the NewMed deal fail to be voted through. We believe the board has chosen to talk down Capricorn's standalone prospects in the hope that investors will ultimately accept a deal that fails to offer shareholders fair value.

In our view, this unacceptable course of action serves only to pressure shareholders and falls far short of the resolute focus on value maximisation that we collectively require and deserve.



Significant Upside Potential

Palliser is confident that, if appointed, the candidates will carefully and transparently assess all go-forward strategic options available to the Company, including all aspects of the Value Optimisation Plan. These exceptional candidates also possess the relevant skills and experience to source or themselves fill any senior executive vacancies as required.

Palliser's Value Optimisation Plan [published](#) on 27 October outlines a clear path to unlock up to 400 pence per share in total value for Capricorn shareholders over the medium term and consists of the following highly actionable steps:

- i) Effecting an immediate distribution of Capricorn's significant excess cash balance (calibrated for working capital requirements and the future investment needs of the Egyptian portfolio);
- ii) Realising the value of the contingent rights related to the UK and Senegal, by either selling these rights at fair value or distributing CVRs in-specie to Capricorn shareholders;
- iii) Instilling urgent cost discipline by right-sizing corporate G&A and ceasing non-committed exploration activity outside of Egypt; and
- iv) Maximising value in Egypt by engaging with EGPC and accelerating work required for PSC optimisation

Notably, this assessment did not include the potential for even more value to be realised through license extensions and the possibility of improved commercial terms for future developments in Egypt, which could increase this target further.

In short, we are highly confident that this exceptional team of individuals will catalyse a far better path forward for Capricorn than the NewMed transaction.

Overwhelming Shareholder Support

By our assessment, shareholders representing more than 40% of Capricorn's issued share capital disapprove of the NewMed deal. Given this represents the second ill-conceived deal recommended within a four-month period by the current directors, we suspect that a substantial amount of support among Capricorn shareholders also exists for board change.

In fact, prior to today's announcement, we approached three of Capricorn's largest shareholders, each of whom has provided us with a letter of intent to record their support for our proposal and indicate that they intend to vote in favour of all the Resolutions. Therefore, the Company's four largest shareholders, who collectively own more than 28% of shares, confirm they have lost trust in the current board and agree that drastic change is required.

Process and Timing

In accordance with Capricorn's Articles of Incorporation (the "Articles") and applicable legislation, the current board is required to issue a circular convening the EGM no later than three weeks from today ("the EGM Circular"). As a holder of more than 5% of Capricorn's issued share capital, we are entitled to request that the directors publish a statement of no more than 1,000 words together with the EGM Circular. To ensure maximum transparency, we have annexed a copy of that statement to this letter.

As required by the Articles, the EGM must take place by 30 January 2023 at the latest. Given the prevailing circumstances, we believe the current board should act expeditiously to ensure the EGM occurs as soon as possible.



Conclusion

We appreciate your consideration of our proposal, this letter and the other materials we have published today. As we have explained, we strongly believe the time has come for decisive and comprehensive board change to enable an optimised path forward for Capricorn's long-suffering shareholders.

We urge you, our fellow shareholders, to **VOTE FOR** each of the Resolutions at the EGM to set Capricorn in the right direction.

For and on behalf of
Palliser Capital (UK) Ltd

A handwritten signature in cursive script that reads "James Smith".

By: James Smith, Chief Investment Officer



Annex 1: Statement by Palliser Capital Master Fund Limited regarding the matters to be dealt with at the forthcoming General Meeting of Capricorn Energy Plc

Dear Shareholder,

Palliser is a global investment fund and one of Capricorn's largest shareholders, holding 6.96% of the company's issued share capital. Our investment team has closely monitored Capricorn for over a decade.

Urgent Need for Board Changes

We seek to safeguard shareholder value by giving shareholders an opportunity to vote on resolutions (the "**Resolutions**") which, if passed in their entirety, will immediately:

- (i) remove seven directors from the Capricorn board (the "**Board**"), namely Simon Thomson, James Smith, Nicoletta Giadrossi, Peter Kallos, Keith Lough, Luis Araujo and Alison Wood; and
- (ii) appoint as directors six highly qualified, independent candidates who are described below ("**Director Candidates**").

Two of the existing independent non-executive directors, Catherine Krajicek and Erik Daugbjerg, are more appropriately positioned to remain on the Board to ensure a degree of continuity.

The Resolutions reflect our loss of confidence in the judgment and priorities of the current Board and its sustained inability to execute a value accretive corporate strategy for shareholders. In particular, the Board:

- is accountable for chronic underperformance in total shareholder return relative to sector peers and benchmarks;
- has overseen a sustained period of woeful capital allocation, bearing responsibility for enormous value destruction through failed exploration initiatives and a total lack of cost discipline;
- has sub-optimal expertise and experience in key areas, such as portfolio management and oil & gas operations (especially in Egypt);
- has lost credibility by recommending the ill-conceived merger with Tullow Oil which triggered a severe investor backlash; and
- is now pressing ahead, at shareholders' expense and despite widespread investor opposition, with the proposed NewMed deal which, in our view, materially undervalues Capricorn and involves an alarming misalignment of incentives.

We shared our concerns with the broader market on 9 August and 27 October, together with our Value Optimisation Plan underpinned by detailed analysis from market-leading independent advisers and industry experts. Regrettably, the Board has refused either to engage in meaningful dialogue with us on the Value Optimisation Plan or to provide any clarity as to strategic alternatives if the NewMed deal is not approved.



Proposed Board Nominees

Following a rigorous search process, we have identified six outstanding Director Candidates who are independent of Palliser and possess the necessary mix and depth of skills and experience, including extensive Egypt-focused oil & gas expertise, that Capricorn urgently needs. These appointments would bring fresh perspectives to the Board to facilitate a comprehensive re-evaluation of the optimal corporate strategy and the executive leadership required to ensure that Capricorn's full value potential is realised.

We are pleased to introduce the Director Candidates to you:

Hesham Mekawi

Hesham has over 32 years' experience in senior management roles in the global energy industry, including most recently as BP's Regional President for North Africa. He transformed BP's Egypt business by identifying and translating complex growth opportunities into tangible outcomes, including successfully leading negotiations for the modernization of the fiscal and commercial terms of BP's Egyptian concessions. Given his wealth of industry knowledge and unique region-specific experience, Hesham is an ideal candidate to ensure Capricorn maximises the potential of its Egyptian assets.

Christopher Cox

Chris has over 40 years' experience in the global oil & gas sector; most recently as CEO of Spirit Energy and MD of Centrica's E&P business after senior roles at BG Group, Amerada Hess, and Chevron. He has extensive experience navigating complex M&A transactions worldwide. Chris possesses deep knowledge of a broad range of disciplines relevant to Capricorn's portfolio including subsurface, drilling, projects, operations, M&A and JV management.

Maria Gordon

Maria is a seasoned independent non-executive director with over 20 years' experience, including as chair, senior director, and committee member of various public companies. She also has decades of direct investment experience in senior roles at premier international asset management firms, including as Head of Emerging Markets Equity Strategy at Goldman Sachs and PIMCO.

Craig Van der Laan

Craig has nearly three decades of senior international executive experience across a wide range of industries in operational and strategic, legal/M&A and project leadership roles in over 50 countries. His executive career spans senior levels of private and public companies (including FTSE 100 and ASX 20), such as Brambles, Transurban, CIMIC, Lend Lease and Fosters. Most recently, Craig was CEO and director of an Australian Government Authority where he led multibillion dollar urban development projects.

Richard Herbert

Richard is a veteran in the oil & gas sector with over 40 years' experience across the world's major petroleum provinces, including as CEO and director of Frontera Energy Corporation, COO of Exploration at BP (where he had operational responsibility for hydrocarbon discoveries in multiple countries, including Egypt), and Executive VP of Talisman Energy Inc.



Tom Pitts

Tom has over 25 years' global investment banking and private equity experience, serving in senior leadership positions at Credit Suisse, Morgan Stanley and D.E. Shaw. He is currently a partner at LionRock Capital, a private equity firm investing primarily in Europe and Asia. Tom also has extensive emerging markets and capital markets experience, having covered equity, credit and derivative investments whilst managing relationships with an array of institutional and retail investors.

Recommendation to Fellow Shareholders

We strongly believe that the proposed change in board composition and appointment of the Director Candidates is firmly in the best interests of all Capricorn shareholders. We are confident that, if appointed, the Director Candidates would carefully and transparently, assess all strategic options available to Capricorn, including the Value Optimisation Plan.

We urge our fellow shareholders to **VOTE FOR** each of the Resolutions to strengthen the Board, restore confidence and set Capricorn in the right direction.

We look forward to sharing more information about the Director Candidates over the coming weeks prior to the General Meeting.

Please refer to www.ReformCapricorn.com for further information on the Value Optimisation Plan and to keep up to date with Palliser's ongoing engagement with Capricorn.