

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. If you have sold or otherwise transferred all of your shares in Cairn Energy PLC, you should pass this document, with the accompanying Form of Proxy, without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold part only of your holding of shares in Cairn Energy PLC, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.



CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

Proposed sale of Cairn's entire participating interest in the contract for exploration and hydrocarbon production sharing dated 15 July 2004 in respect of Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore, Senegal and associated joint operating agreement

and

Notice of General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of Cairn Energy PLC ("Cairn") which is set out at Part I of this Circular and which recommends you to vote in favour of the Resolution to be proposed at the General Meeting referred to below. Please also see Part II of this Circular for a discussion of certain risk factors that you should consider carefully when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting. The whole of this Circular should be read in light of these risk factors.

Notice of the General Meeting of Cairn to be held at 4th Floor, Wellington House, 125 Strand, London WC2R 0AP at 12.00 noon (BST) on 23 September 2020, is set out at the end of this Circular.

As a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the UK government in response, for the safety of our Shareholders, our employees, our advisers and the general public, the General Meeting will be held as a closed meeting. Attendance by Shareholders at the General Meeting in person will not be possible and Shareholders or their appointed proxies (other than the chair of the General Meeting) will not be permitted entry to the General Meeting. Further information on the arrangements for the General Meeting are set out in Part I of this Circular.

Enclosed with this Circular is a Form of Proxy for use in respect of the General Meeting. You are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it as soon as possible, and in any event, so as to arrive at the offices of the Company's registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 12.00 noon (BST) on 21 September 2020. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 12.00 noon (BST) on 21 September 2020 (further information regarding the use of this facility is set out in the notes to the Notice of General Meeting). If you hold your Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction so as to be received by the Company's registrars, Equiniti, not later than 12.00 noon (BST) on 21 September 2020.

N. M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Cairn and for no-one else in connection with the contents of this Circular and the Transaction and will not regard any other person as its client in relation to the matters in this Circular and will not be responsible to anyone other than Cairn for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with the contents of this Circular or the Transaction or any transaction, arrangement or other matter referred to in this Circular.

Jefferies International Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Cairn and for no-one else in connection with the contents of this Circular and the Transaction and will not regard any other person as its client in relation to the matters in this Circular and will not be responsible to anyone other than Cairn for providing the protections afforded to clients of Jefferies International Limited nor for providing advice in connection with the contents of this Circular or the Transaction or any transaction, arrangement or other matter referred to in this Circular.

Save for the responsibilities and liabilities, if any, of Rothschild & Co and Jefferies International Limited under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, neither Rothschild & Co nor Jefferies International Limited assumes any responsibility whatsoever and neither makes any representations or warranties, express or implied, in relation to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made by Cairn, or on Cairn's behalf, or by Rothschild & Co or on Rothschild & Co's behalf, or by Jefferies International Limited or on Jefferies International Limited's behalf. Nothing contained in this Circular is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with Cairn or the Transaction. Rothschild & Co and Jefferies International Limited accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which either of them might otherwise be found to have in respect of this Circular or any such statement.

INFORMATION RELATING TO THE PRESENTATION AND SOURCE OF INFORMATION

Currencies

References to “Pounds Sterling”, “£” and “pence” are to the lawful currency of the United Kingdom.

References to “US Dollars”, “US\$” and “US cents” are to the lawful currency of the United States of America.

References to “NOK” are to the lawful currency of Norway.

References to “INR” are to the lawful currency of India.

Rounding

Percentages and certain amounts included in this Circular have been rounded to the nearest whole number or single decimal place for ease of presentation (except as otherwise stated). Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Circular reflect calculations based on the underlying information prior to rounding, and accordingly may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

Times

All times referred to in this Circular are, unless otherwise stated, references to the time in London, United Kingdom.

References to defined terms

Certain terms used in this Circular, including certain capitalised, technical and other terms are defined or described in Part VII (Glossary of Technical Terms) of this Circular and Part VIII (Definitions) of this Circular.

Mineral reserve and mineral resource reporting

Unless otherwise indicated, Cairn has, in compiling its estimates of contingent resources, prospective resources and reserves contained in this Circular, used the definitions and guidelines set out by the 2018 SPE/AAPG/WPC/SPEE Petroleum Resources Management System (“**PRMS**”).

“Contingent resources” are defined by the PRMS as “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by application of development project(s), not currently considered to be commercial owing to one or more contingencies. Contingent resources have an associated chance of development. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status”.

“Prospective resources” are instead defined by PRMS as “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of geologic discovery and a chance of development. Prospective resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity”.

“Reserves” are defined by the PRMS as “Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied”.

Shareholders should not place undue reliance on the forward looking statements in this Circular or on the ability of Cairn to predict actual reserves or resources. Contingent resources relate to undeveloped accumulations and may include non-commercial resources. It should be noted that prospective resources relate to inferred, undiscovered and/or undeveloped mineral resources and accordingly by their nature are highly speculative. A possibility exists that the prospects will not result in the successful discovery of economic resources in which case there would be no commercial development.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of LUKOIL SPA	27 July 2020
Exercise by Woodside of Pre-Emption Rights	17 August 2020
Date of Sale and Purchase Agreement with Woodside	4 September 2020
Publication of this Circular (including the Notice of General Meeting) and the Form of Proxy and despatch to Shareholders	7 September 2020
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments or completion and transmission of CREST Proxy Instructions	12.00 noon (BST) on 21 September 2020
General Meeting	12.00 noon (BST) on 23 September 2020
Expected date of Completion	Q4 2020
Long stop date under the Sale and Purchase Agreement and the LUKOIL SPA	23 April 2021

Note:

The times set out in the expected timetable of principal events above and mentioned throughout this Circular may be adjusted by the Company, in which event details of the new times and dates will be notified to the London Stock Exchange, and, where appropriate, Shareholders, through the release of an announcement to a Regulatory Information Service. **Completion of the Transaction is conditional upon, among others, the satisfaction or, where applicable, waiver of the Conditions. There can be no certainty if or when all the Conditions will be satisfied or, where applicable, waived and therefore no certainty as at the date of this Circular regarding the date of Completion.**

PART I

LETTER FROM THE CHAIRMAN OF CAIRN ENERGY PLC

CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

Ian Tyler (Non-Executive Chairman)
Keith Lough (Non-Executive Director)
Peter Kallos (Non-Executive Director)
Nicoletta Giadrossi (Non-Executive Director)
Alison Wood (Non-Executive Director)
Catherine Krajicek (Non-Executive Director)
Erik Daugbjerg (Non-Executive Director)
Simon Thomson (Chief Executive)
James Smith (Chief Financial Officer)

Registered and Head Office
50 Lothian Road
Edinburgh
EH3 9BY

7 September 2020

Dear Shareholder,

Proposed sale of Cairn's entire participating interest in the RSSD PSC and RSSD JOA

1. Introduction

Announcement of the original agreement with LUKOIL

As announced by Cairn on 27 July 2020, Capricorn Senegal, a wholly owned subsidiary of Cairn, entered into a conditional agreement dated 24 July 2020 to sell and dispose to LUKOIL its entire participating interest in the RSSD PSC together with a corresponding proportion of the rights, obligations and liabilities under the RSSD JOA.

Exercise of Pre-Emption Rights by Woodside

As stated in the 27 July 2020 announcement, completion under the LUKOIL SPA is conditional, inter alia, on the written waiver by the other parties to the RSSD JOA of their Pre-Emption Rights in respect of the transaction.

Capricorn Senegal gave written notice of the proposed transaction under the LUKOIL SPA to Woodside, FAR Senegal and Petrosen, the other parties to the RSSD JOA, on 27 July 2020. On 17 August 2020, and as announced by Cairn on the same date, Woodside, the designated operator under the RSSD JOA, gave notice to Capricorn Senegal of the exercise of its Pre-Emption Rights in relation to the proposed transaction under the LUKOIL SPA.

Neither FAR Senegal nor Petrosen have exercised their Pre-Emption Rights in respect of the proposed transaction under the LUKOIL SPA in the period specified for exercise in the RSSD JOA and, accordingly, Woodside became obliged to acquire the entire Sale Interest from Capricorn Senegal on the same terms as the LUKOIL SPA. As announced by Cairn on 7 September 2020, Woodside, Capricorn Senegal and Cairn entered into a conditional agreement dated 4 September 2020 under which Capricorn Senegal would sell and dispose to Woodside its entire participating interest in the RSSD PSC together with a corresponding proportion of the rights, obligations and liabilities under the RSSD JOA.

The Sale and Purchase Agreement with Woodside

The initial cash consideration to be received by the Group at Completion is approximately US\$300m, together with an interim period adjustment from the economic date of 1 January 2020. The Group may become entitled to receive further contingent consideration of up to US\$100m in cash in the form of a first oil "bonus" dependent on the average Brent oil price for the first 180 days of production from Sangomar and the timing of first oil.

The principal terms of the Sale and Purchase Agreement, including further detail on the interim period adjustment and the contingent consideration, are set out in Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) of this Circular.

Requirement for Shareholder approval

The Transaction is conditional, inter alia, on the approval of the Minister. In addition, the Transaction is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the Listing Rules and is accordingly conditional upon the approval of Shareholders. Your approval of the Transaction is therefore being sought at a General Meeting to be held at 12.00 noon (BST) on 23 September 2020 at 4th Floor, Wellington House, 125 Strand, London WC2R 0AP. A notice of the General Meeting setting out the Resolution to be considered at the General Meeting can be found at the end of this Circular. A summary of the action you are requested to take in connection with the General Meeting is set out in paragraph 9 of this letter and on the Form of Proxy that accompanies this Circular.

Effect on LUKOIL SPA

Neither the exercise by Woodside of its Pre-Emption Rights in respect of the proposed transaction under the LUKOIL SPA nor the subsequent entry into the Sale and Purchase Agreement resulted in the automatic termination of the LUKOIL SPA. However, Completion under the LUKOIL SPA could only occur in the event that Completion under the Sale and Purchase Agreement did not occur in accordance with its terms, and the conditions of the LUKOIL SPA were then satisfied or waived (where applicable by mutual agreement).

To reflect this, the Resolution to be proposed at the General Meeting described above seeks the approval and authority of Shareholders to proceed with the Transaction either (a) with Woodside under the Sale and Purchase Agreement or, failing which, (b) with LUKOIL under the LUKOIL SPA.

Impact of Public Gathering Restrictions

In response to the current COVID-19 pandemic, the UK government introduced laws and associated guidance restricting the movement of people. The health and wellbeing of our Shareholders, employees, advisers and of the general public is of paramount importance to the Board, and the Company is committed to minimising the unnecessary movement of people at this time and observing all measures mandated and recommended by the UK government. This includes all applicable legal restrictions in the UK in force on the Latest Practicable Date (the “**Public Gathering Restrictions**”).

As a result, and in order that Shareholders and the Company are able to comply with the Public Gathering Restrictions, the General Meeting will be held as a closed meeting. Shareholders will not be permitted to attend, and are instead encouraged strongly to submit Forms of Proxy to ensure their votes are counted at the General Meeting. Any Shareholder that does seek to attend the General Meeting in person will be prevented from doing so on the grounds of public safety. Two Shareholders, being members of the Board and/or the staff of Cairn, in attendance shall constitute a quorum, as set out in the Company’s articles of association. The Company will ensure that a quorum is present and that the two Shareholders will be the only persons in attendance, complying with the Public Gathering Restrictions and allowing conduct of the business contained in the notice of General Meeting. The General Meeting will be held purely to conduct that business and the voting results on the Resolution will be announced to the market and uploaded onto the Company’s website promptly following the close of the General Meeting. The Board recognises that this outcome is highly undesirable but, in the circumstances, it believes there is no alternative to ensure the health, safety and security of attendees and to allow the business of the General Meeting to be conducted in accordance with the Public Gathering Restrictions.

The Company will continue to monitor the Public Gathering Restrictions. If circumstances change resulting in the lifting of measures preventing the movement or gathering of people before the date of the General Meeting, it will consider if it is appropriate to open up the General Meeting for attendance by Shareholders. If this is the case, an update will be given on the Company’s website at www.cairnenergy.com/investors/ and by way of announcement to the regulatory news service of the London Stock Exchange.

In any event, the Board remains committed to allowing Shareholders the opportunity to engage with the Board. If Shareholders have any questions for the Board in relation to the Transaction before the General Meeting, these can be sent by email to IR.Mailbox@cairnenergy.com. The Board will endeavour to answer the key themes of these questions on the Company’s website as soon as practical.

Purpose of this Circular

The purpose of this Circular is to (i) explain the background to and reasons for the Transaction; (ii) provide you with information about the RSSD PSC and the RSSD JOA; (iii) explain why the Directors unanimously consider the Transaction to be in the best interests of the Shareholders as a whole; and (iv) recommend that you vote in favour of the Resolution to be proposed at the General Meeting.

2. Background to and reasons for the Transaction

In 2013, Cairn acquired a 65% operating interest under the RSSD PSC offshore Senegal. Cairn farmed down to a 40% operating interest shortly thereafter. Since its initial acquisition of the interest in RSSD, Cairn has carried out multiple exploration and appraisal drilling programmes resulting in the successful discovery of the Sangomar and FAN fields. The Sangomar field was discovered in 2014 and subsequent drilling laid the foundation for a multi-phase development programme with first oil targeted in 2023.

Substantial progress was made on the Sangomar field multi-phase development during the course of 2019, with a number of key milestones achieved. In December 2018, Woodside assumed the role of operator and the RSSD JV reached FID on 14 January 2020 in relation to the Sangomar Phase 1 development, following grant of the exploitation authorisation by the Government of Senegal.

In early August 2020 Petrosen, the Senegalese national oil company and an existing party to the RSSD JOA, exercised its right under the RSSD PSC to increase its participating interest in the Sangomar development from 10% to 18%. The effect of this exercise, described in more detail in paragraph 7 (Woodside Pre-Emption and Petrosen Participation Option) below, is to reduce the participating interests of the other parties to the RSSD JOA proportionately in respect of the Sangomar development. For Cairn this has resulted in a revised participating interest in the Sangomar Exploitation Area of approximately 36.44%. Cairn's participating interest in the remaining RSSD Contract Area outside the Sangomar Exploitation Area is unchanged at 40%.

The exercise by Petrosen of the Participation Option, although reducing the participating interest in the Sangomar Exploitation Area proposed to be sold by Cairn, will have no effect on the consideration to be paid by Woodside under the Sale and Purchase Agreement or, as the case may be, by LUKOIL under the LUKOIL SPA. The terms of the original LUKOIL SPA were negotiated and agreed on the assumption that the Participation Option would be exercised by Petrosen, and this is reflected in the Sale and Purchase Agreement.

Under the Transaction Cairn is proposing to sell to Woodside or, as the case may be, to LUKOIL the Group's entire interest in RSSD, being:

- an approximately 36.44% participating interest in the Sangomar Exploitation Area; and
- a 40% participating interest in the RSSD Contract Area outside the Sangomar Exploitation Area.

Cairn's long-term capital allocation strategy is to actively manage its portfolio and to realise and return capital for shareholders, and the Transaction is consistent with that. The Board believes the Transaction will provide the Group with the financial flexibility that is appropriate for the current challenging and uncertain oil market conditions. The Transaction eliminates the need for significant capital expenditure in a multi-year development with its requirement for additional financing. In addition, the Board intends to return a significant portion of the proceeds to Shareholders through a special dividend of at least US\$250m following Completion.

Following the Transaction, the Board believes Cairn will be well positioned to continue to implement its long-term strategy. With a strong balance sheet, low breakeven cash flows from North Sea assets and limited capital commitments, Cairn will enter a new phase with enhanced financial flexibility to invest and deliver additional value in the future using its strict capital allocation framework.

3. Summary of the key terms of the Transaction

The Sale and Purchase Agreement

The Sale and Purchase Agreement was entered into on 4 September 2020 by and between Capricorn Senegal, Woodside and Cairn, pursuant to which Capricorn Senegal conditionally agreed to sell to Woodside the Sale Interest on the following key terms:

- The Group will receive base consideration of US\$300 million in cash at Completion for the Sale Interest, together with an interim period adjustment for expenditure related to the Sale Interest from the economic date of 1 January 2020;
- In addition, after Completion the Group may become entitled to an additional payment from Woodside depending on the timing of first oil from Sangomar and the Average Brent Price during the 180 days after first oil. If first oil, as defined in the Sale and Purchase Agreement, occurs:
 - (a) on or before 31 December 2023 Woodside will pay in cash to the Group:
 - US\$100 million if the Average Brent Price during the 180 days after First Oil is above US\$60 per barrel; or
 - US\$50 million if the Average Brent Price during the 180 days after First Oil is above US\$55 per barrel but less than or equal to US\$60 per barrel; or
 - (b) in the first half of 2024 Woodside will pay in cash to the Group:
 - US\$50 million if the Average Brent Price during the 180 days after First Oil is above \$60 per barrel; or
 - US\$25 million if the Average Brent Price during the 180 days after First Oil is above US\$55 per barrel but less than or equal to US\$60 per barrel.

In either case, no additional payment will be due from Woodside if the Average Brent Price during the 180 days after First Oil is less than or equal to US\$55 per barrel.

The Transaction is conditional upon the satisfaction or, where applicable, waiver of the following conditions, amongst others:

- written approval from the Minister of the transfer of the Sale Interest being obtained;
- no material adverse change in relation to the RSSD PSC or the Sale Interest having occurred;
- certain customary warranties remaining true, accurate and not misleading at closing in all material respects; and
- Shareholders passing the Resolution to approve the Transaction at the General Meeting.

A summary of the principal terms of the Sale and Purchase Agreement is set out in Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) of this Circular.

The LUKOIL SPA

The LUKOIL SPA was entered into on 24 July 2020 by and between Capricorn Senegal, LUKOIL and Cairn. Under the LUKOIL SPA Capricorn Senegal conditionally agreed to sell to LUKOIL the Sale Interest on the same key terms as set out above for the Sale and Purchase Agreement, save that the proposed buyer was LUKOIL rather than Woodside and the LUKOIL SPA included an additional condition to completion requiring written waiver by the other parties to the RSSD JOA of their Pre-emption Rights in respect of the proposed transaction under the LUKOIL SPA and, in addition to such waiver, the approval of the other parties to the RSSD JOA to such proposed transaction.

The LUKOIL SPA remains in force unless the parties to the LUKOIL SPA agree to its termination. In the absence of such agreement, if all of the conditions to the LUKOIL SPA have not been satisfied (or where applicable waived) on or before 5.00 p.m. (London time) on 23 April 2021, either party may terminate the LUKOIL SPA.

As stated above, a condition to completion of the LUKOIL SPA is the waiver by all parties to the RSSD JOA of their Pre-Emption Rights. If Completion occurs under the Sale and Purchase Agreement this condition of the LUKOIL SPA will no longer be capable of satisfaction, but if the Sale and Purchase Agreement is terminated before then, it remains theoretically possible that Completion could occur under the LUKOIL SPA if all conditions under that agreement were satisfied or waived, where applicable by mutual agreement.

As the terms of the Sale and Purchase Agreement and the LUKOIL SPA are very similar, reflecting the nature of the Pre-Emption Rights in the RSSD JOA, a full description of the principal terms of the LUKOIL SPA is not contained in this Circular. There is set out at the end of Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) a summary of the differences between the principal terms of the Sale and Purchase Agreement described in that Part III of the Circular and the principal terms of the LUKOIL SPA.

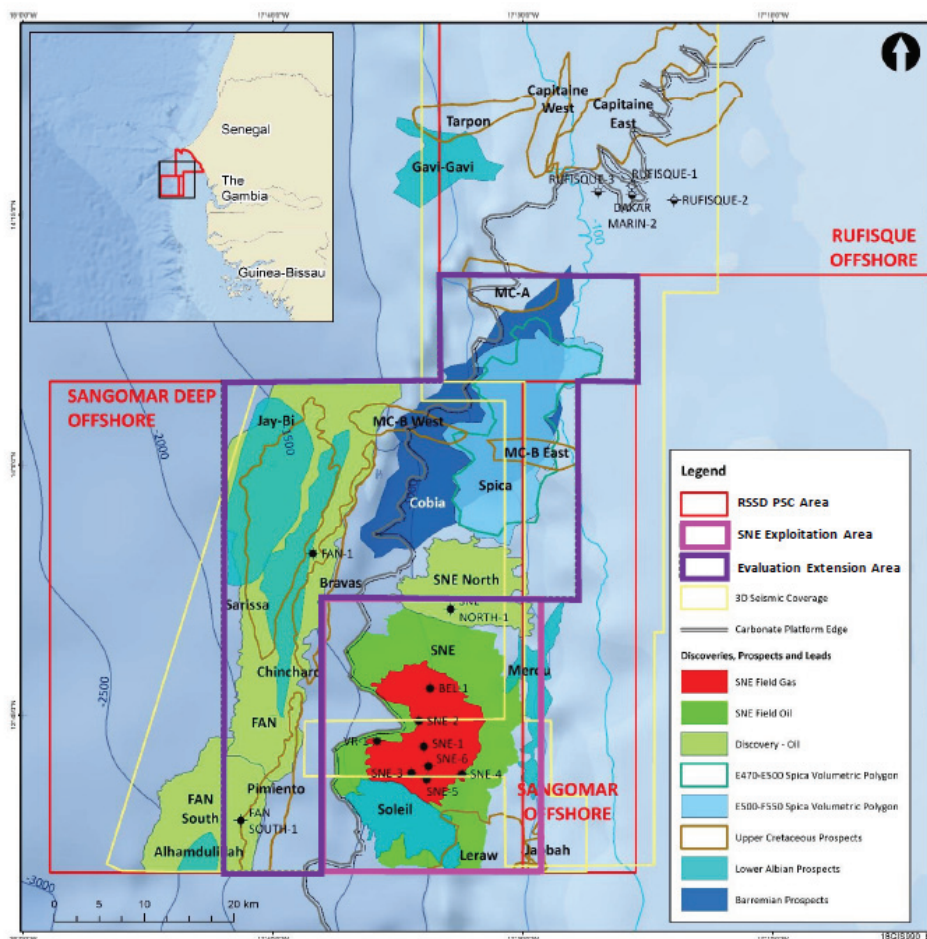
The Transaction will, following Completion, provide an opportunity to return material value to Shareholders. For further information on this, please see paragraph 6 (Financial effects of the Transaction and use of proceeds) of this letter.

4. Information on the RSSD Contract Area

Overview and history of development

The RSSD Contract Area lies to the South of Dakar, Senegal in offshore waters and comprises three blocks (Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore). The Sangomar field is located primarily in the Sangomar Deep Offshore block approximately 90 km offshore in water depths of 900m to 1,500m. The Sangomar Exploitation Area is 711 km² and is indicated in the map below. The Sangomar field is a large, low relief NNE-SSW oriented field that is dip closed to the south and east, and stratigraphically closed to the north and west.

The following map shows the location of the blocks including the Sangomar field and the Sangomar Exploitation Area:



Eleven exploration and appraisal wells have been drilled in the RSSD Contract Area to date:

- eight wells within the Sangomar field (SNE-1,2,3,4,5 and -6, BEL-1 and VR1)
- three wells outside the Sangomar field (FAN-1, FAN South-1 and SNE North 1).

Phase 1 of the FAN South-1 and SNE North-1 evaluation programmes for areas outside the Sangomar Exploitation Area were agreed with the Ministry and completed in January 2019. Evaluation extension programmes for these areas and FAN were requested by the RSSD JV, and on 16 October 2019 the Minister issued a decree granting a two year extension of the RSSD PSC exploration period covering the FAN and Sangomar North/SPICA areas. The grant of this extension included a commitment by the RSSD JV to drill at least one well on the relevant acreage.

Sangomar Exploitation Plan and Estimated Volumes

Approval of Sangomar Exploitation Plan and grant of Exploitation Authorisation

On 2 December 2019, the RSSD JV submitted to the Minister the final Sangomar Exploitation Plan and the corresponding application for an exploitation authorisation for Sangomar, covering the exploitation area described below. On 8 January 2020 Woodside, as operator under the RSSD PSC and RSSD JOA, notified Capricorn Senegal that the government of Senegal had approved the Sangomar Exploitation Plan and granted the exploitation authorisation. The effective date of the Sangomar exploitation authorisation was 8 January 2020, from which date the initial 25 year exploitation period for Sangomar commenced under the RSSD PSC. The Sangomar Exploitation Plan, as approved, envisages a phased development, allowing installation of foundation elements of the overall development through Phase 1 and incorporating the flexibility of future oil phases as well as the opportunity to bring domestic gas to shore. The Sangomar development concept for the life of the project is a standalone FPSO vessel facility with a capacity of around 100,000 bopd and supporting subsea infrastructure, with up to 23 subsea wells drilled during Phase 1 of the development. Phase 1 of the Sangomar Exploitation Plan has been designed to allow for the integration of subsequent Sangomar development phases, including options for gas export to shore and future subsea tiebacks from other reservoirs and fields.

Exploitation Area

The co-ordinates of the Sangomar Exploitation Area shown in the map above are listed in the table below:

	<u>Longitude</u>	<u>Latitude</u>
Point 1	17°42'00"W	13°52'00"N
Point 2	17°29'00"W	13°52'00"N
Point 3*	17°29'00"W	13°35'33"N
Point 4*	17°42'00"W	13°35'33"N

* intersection with the Senegal/The Gambia boundary

Phase 1 of the project has now entered the development execution phase of activities. Woodside has completed the purchase contract for the FPSO facility and issued full notices to proceed for the drilling and subsea construction and installation contracts.

The key contractors for the development are:

MODEC Inc	FPSO purchase	Oil processing capacity of 100,000 bbl/day
Subsea Integration Alliance	Construction and installation	Integrated subsea production systems and subsea umbilicals, risers and flowlines
Diamond Offshore	Two well-based contracts for drill rigs	Ocean BlackRhino and Ocean BlackHawk with phased drilling targeted to commence in mid-2021
Halliburton and BHGE	Main Drilling Services contracts	
Shearwater	High-density multi-azimuth 3D seismic acquisition contract over the field and neighbouring FAN discovery	Data acquisition for this survey was completed in Q4 2019 and is intended to improve reservoir definition to support development well placement

Faced with the challenges of the COVID-19 pandemic, some activity and capital expenditure planned for 2020 has been deferred to 2021, although all of the main contracts listed above, which were awarded in January 2020, remain in effect and committed for the full multi-year Phase 1 development of the Sangomar field.

Subsequent phased development of the Sangomar field will depend on technical and commercial conditions but the design concept will allow expansion of the systems over the fields in a number of phases. This includes the potential for associated and non-associated gas to be piped onshore for processing and sale. All future phases, including the full field development of Sangomar oil production, will be subject to approval by the RSSD JV partners, commercial viability at the time of the relevant investment decision and all necessary governmental and regulatory approvals.

Estimated Reserves and Resources

The hydrocarbon resources of the Sangomar field are dispersed in multiple layers of reserves sands, which are in two principal groups: the deeper, better connected “S500” sands; and the shallower, more complex “S400” sands. Whilst 85% of the in-place volumes are contained in the S400 sands, Phase 1 of the development will predominantly target the higher quality S500 sands. An initial phase of production from the S400 sands will be included in the Phase 1 development, and used to inform subsequent development phases which will aim to more fully exploit the S400 sands. Gas is present in both the S500 and S400 sands, but commercialisation of gas resources for Senegalese domestic supply is expected to be from the S400 sands.

Sangomar Field Estimated TRR (gross field)

	Phase 1 liquids	Full field development liquids	Indicative gas recovery
	mmbbls	mmbbls	bcf
P90 estimate	162	269	408
P50 estimate	231	484	656
P10 estimate	312	619	849

The full field development scenario on which the recoverable resource estimates are based assumes multiple phases of drilling campaigns, as set out in the Sangomar Exploitation Plan.

In its 2019 Annual Report and Accounts, the Group reported the following 2P reserves and 2C resources relating to its 36.44% participating interest in the Sangomar Exploitation Area:

Cairn's reported net reserves and resources

	<u>Net 2P reserves (entitlement interest basis)</u>	<u>Net 2P reserves (working interest basis)</u>	<u>Net 2C resources</u>
mmboe	91.4	99	109.4

5. Participating Interests and operatorship

Following approval of the Sangomar Exploitation Plan and award of the corresponding exploitation authorisation on 8 January 2020, the 25 year exploitation period has commenced, securing long term title to the acreage for the RSSD JV. The RSSD contractor group currently consists of Woodside, Capricorn Senegal, FAR Senegal and Petrosen in the proportions shown in the tables below in the column headed "Interest pre-Transaction". Woodside is the operator designated under the RSSD JOA, having acquired operatorship from Capricorn Senegal in December 2018.

Assuming the Transaction proceeds to Completion under the Sale and Purchase Agreement, the impact on the holdings of interests in the RSSD PSC and the RSSD JOA within and outside the Sangomar Exploitation Area will be as set out in the table below:

Sangomar Exploitation Area:

<u>Party</u>	<u>Interest pre-Transaction*</u>	<u>Interest post-Transaction*</u>
Woodside	31.89% and operator	68.33% and operator
Capricorn Senegal	36.44%	Nil
FAR Senegal	13.67%	13.67%
Petrosen	18%	18%

* (rounded to the nearest second decimal place)

Outside the Sangomar Exploitation Area:

<u>Party</u>	<u>Interest pre-Transaction</u>	<u>Interest post-Transaction</u>
Woodside	35% and operator	75% and operator
Capricorn Senegal	40%	Nil
FAR Senegal	15%	15%
Petrosen	10%	10%

If the Transaction instead proceeds to Completion under the LUKOIL SPA, the impact on the holdings of interests in the RSSD PSC and the RSSD JOA within and outside the Sangomar Exploitation Area will be as set out in the table below:

Sangomar Exploitation Area:

<u>Party</u>	<u>Interest pre-Transaction*</u>	<u>Interest post-Transaction*</u>
Woodside	31.89% and operator	31.89% and operator
Capricorn Senegal	36.44%	Nil
FAR Senegal	13.67%	13.67%
Petrosen	18%	18%
LUKOIL	Nil	36.44%

* (rounded to the nearest second decimal place)

Outside the Sangomar Exploitation Area:

<u>Party</u>	<u>Interest pre-Transaction</u>	<u>Interest post-Transaction</u>
Woodside	35% and operator	35% and operator
Capricorn Senegal	40%	Nil
FAR	15%	15%
Petrosen	10%	10%
LUKOIL	Nil	40%

Following the exercise by Woodside of its Pre-Emption Rights in relation to the LUKOIL SPA and the non-exercise of Pre-Emption Rights by FAR Senegal and Petrosen, the other parties to the RSSD JOA, the Transaction is not subject to further pre-emption. Additional information on the exercise by Woodside of its Pre-Emption Rights in relation to the LUKOIL SPA is set out in paragraph 7 (Woodside Pre-Emption and Petrosen Participation Option) below.

6. Financial effects of the Transaction and use of proceeds

As stated above, the initial cash consideration to be received by the Group at Completion is US\$300 million, together with conventional adjustments for the working capital attributable to the Sale Interest as at the economic date of 1 January 2020 and for post-economic date expenditure referable to the Sale Interest. In addition, the Group may become entitled to further cash consideration of up to US\$100 million dependent on the timing of first oil at Sangomar and the average price of Brent crude oil during the 180 days of production.

Cairn's current intention is to use the initial cash proceeds of the Transaction to:

- augment working capital;
- return at least US\$250 million to Shareholders; and
- assist with the development and acquisition of other oil and gas assets within the Group.

As at 31 December 2019 the gross assets attributable to the Sale Interest were US\$521.9m. For the year ended 31 December 2019 there was no profit or loss attributable to the Sale Interest.

A pro forma statement of net assets for the Group is provided in Part V (Pro Forma Financial Information on the Group) of this Circular and has been prepared to illustrate the effect of the Transaction on the net assets of the Group as if the Transaction had taken place on 31 December 2019. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not reflect the Group's actual financial position or results.

The Transaction is not expected to result in any material cash tax liability for the Group.

7. Woodside Pre-Emption and Petrosen Participation Option

Woodside Pre-Emption in respect of the Sale Interest

One of the conditions to the original LUKOIL SPA was the written waiver of the rights of pre-emption set out in Article 14.1 of the RSSD JOA in respect of the Sale Interest.

Under Article 14.1 of the RSSD JOA, a party to the JOA (the "**Transferring Party**") is entitled to assign or transfer, in whole or in part, its participating interest in the RSSD JOA and the RSSD PSC to a non-affiliated third party on *bona fide* terms, subject to relatively customary rights of pre-emption. The RSSD JOA requires that the party proposing to make the assignment or transfer notify the other parties to the RSSD JOA (the "**Other JV Parties**"), indicating the terms and conditions of the *bona fide* offer made by the proposed assignee or transferee (the "**Third Party Offer**"). Following such notice:

- the Other JV Parties shall have a right of pre-emption in respect of the total interest offered (but not part thereof) under the terms and conditions of the Third Party Offer, which must be exercised by notice to the Transferring Party within thirty (30) days of the original notice;
- if more than one of the Other JV Parties decide to exercise the right of pre-emption by notice within the thirty (30) day period described above, the exercising parties must, unless otherwise agreed between them, acquire the participating interest offered for sale proportionally to their existing participating interest percentages on the date of offer or sale;
- if none of the Other JV Parties gives notice of exercise of the right of pre-emption within the thirty (30) day period described above, or gives notice of their refusal to agree to the Third Party Offer, the Third Party Offer is considered accepted; and
- any of the Other JV Parties giving notice of refusal must furnish duly justified and reasonable causes within the thirty (30) day period described above, failing which it shall be deemed to have exercised its right of pre-emption in respect of the Third Party Offer.

On 27 July 2020, following signature of the LUKOIL SPA and pursuant to Article 14.1 of the RSSD JOA, Capricorn Senegal gave written notice of the proposed transaction to Woodside, FAR and Petrosen, the other parties to the RSSD JOA (the “**LUKOIL Sale Notice**”).

In response to the LUKOIL Sale Notice, on 17 August 2020 Woodside gave written notice to Capricorn Senegal of the exercise of its Pre-Emption Rights in respect of the Sale Interest. This was announced by Cairn on the same day. Completion under the LUKOIL SPA was, *inter alia*, conditional on the waiver of Pre-Emption Rights by all of the other parties to the RSSD JOA.

Neither FAR Senegal nor Petrosen exercised their Pre-Emption Rights within the thirty (30) day period following service of the LUKOIL Sale Notice by Capricorn Senegal. Accordingly, on the expiry of that thirty (30) day period Woodside was obliged, under the terms of the RSSD JOA, to acquire the entire Sale Interest on the same terms as the LUKOIL SPA. Woodside, Capricorn Senegal and Cairn entered into the Sale and Purchase Agreement on 4 September 2020. No further Pre-Emption Rights are exercisable by any of the other parties to the RSSD JOA in respect of the Transaction, although the Transaction is still subject to the approval of the Minister.

As noted in paragraph 1 of this letter, if Completion occurs under the Sale and Purchase Agreement it would not then be possible for Completion to occur under the LUKOIL SPA. However, it remains theoretically possible that Completion does not occur under the Sale and Purchase Agreement – for example, as a result of non-satisfaction of one of the Conditions – but can still occur under the LUKOIL SPA if all conditions under that agreement were to be satisfied or, where applicable, waived by mutual agreement.

Accordingly, the Resolution to be proposed at the General Meeting seeks the approval and authority of Shareholders to proceed with the Transaction either (a) with Woodside under the Sale and Purchase Agreement or, failing which, (b) with LUKOIL under the LUKOIL SPA.

Petrosen Participation Option in Sangomar

Under Article 24 of the RSSD PSC, Petrosen has the option to increase its existing 10% participating interest in the Sangomar Exploitation Area up to an 18% participating interest following the award of the Sangomar exploitation authorisation. As stated in paragraph 4 (Information on the RSSD Contract Area) above, the Sangomar exploitation authorisation was awarded on 8 January 2020. By notice to the other parties to the RSSD JOA in early August 2020, Petrosen exercised the option (the “**Participation Option**”) to increase its participating interest in the Sangomar Exploitation Area to 18%.

As a consequence of the exercise by Petrosen of the Participation Option in connection with the Sangomar exploitation authorisation, the increase in Petrosen’s participating interest in the Sangomar Exploitation Area takes effect from the effective date of the exploitation authorisation and the other RSSD JOA parties’ participating interests are reduced proportionately. Assuming Completion occurs, the participating interest in Sangomar to be acquired by Woodside or, as the case may be, LUKOIL is therefore approximately 36.44%. The participating interest to be acquired by Woodside or, as the case may be, LUKOIL in the remainder of the RSSD Contract Area outside the Sangomar Exploitation Area is not affected by Petrosen’s exercise of the Participation Option. The exercise by Petrosen of the Participation Option will have no effect on the consideration to be paid by Woodside under the Sale and Purchase Agreement or, as the case may be, by LUKOIL under the LUKOIL SPA.

Following its exercise of the Participation Option, Petrosen is liable for its increased participating interest share in the Sangomar Exploitation Area from the effective date of the exploitation authorisation. It is not however liable to reimburse the other RSSD JV parties for the corresponding share of exploration or training costs incurred before grant of the exploitation authorisation.

8. General Meeting

Completion of the Transaction is conditional upon Shareholders’ approval being obtained at the General Meeting. You will find set out at the end of this Circular a notice convening the General Meeting, to be held at 4th Floor, Wellington House, 125 Strand, London WC2R 0AP at 12.00 noon (BST) on 23 September 2020 and at which the Resolution to approve the Transaction will be proposed.

The Resolution will be proposed as an ordinary resolution, meaning that, in order to be passed, it will require a simple majority of the votes cast in favour of the Resolution.

As stated in paragraph 1 (Introduction) of this letter, and as a consequence of the current Public Gathering Restrictions introduced in response to the current COVID-19 pandemic, it is intended to hold the General Meeting as a closed meeting. Any Shareholder that seeks to attend the General Meeting in person will be prevented from doing so on the grounds of public safety. Two Shareholders, being members of the Board and/or the staff of Cairn, in attendance shall constitute a quorum, as set out in the Company's articles of association. The Company will ensure that a quorum is present and that the two Shareholders will be the only persons in attendance, complying with the Public Gathering Restrictions and allowing conduct of the business contained in the notice of General Meeting. The General Meeting will be held purely to conduct that business and the voting results on the resolution put to the meeting will be announced to the market and uploaded onto the Company's website promptly following the close of the General Meeting.

In view of the nature of the General Meeting, Shareholders are strongly encouraged to ensure that their votes are counted at the General Meeting by appointing the chairman as their proxy and submitting their completed Form of Proxy as soon as possible and, in any event, so as to arrive at the offices of the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 12.00 noon (BST) on 21 September 2020.

Shareholders should also be aware that, in relation to the printed Forms of Proxy, Royal Mail has indicated that it is likely that some areas of the country will experience a reduction in service levels due to absences at their local mail centre or delivery office due to the COVID-19 pandemic. Accordingly, in order to ensure that your vote on the resolutions is registered and counted, the Board recommends that:

- if possible, voting by proxy should be undertaken online or, for eligible Shareholders, through CREST, in the manner described below in paragraph 9 (Action to be taken); and
- if voting by proxy is undertaken through submission of the printed Forms of Proxy, these Forms of Proxy should be completed and sent to the Company's registrar, Equiniti, as soon as possible.

9. Action to be taken

As stated in paragraph 8 (General Meeting) above, Shareholders will not be permitted to attend the General Meeting in person. Accordingly, in order to ensure your votes are counted at the General Meeting, you must submit your vote by proxy. Please also note that the appointment of a person other than the chairman of the General Meeting as your proxy will not be valid, as that person will also not be permitted to attend the meeting in person.

Enclosed with this Circular is a Form of Proxy for use in respect of the General Meeting. You are requested to complete, sign and return the Form of Proxy as soon as possible, and in any event, so as to arrive at the offices of the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 12.00 noon (BST) on 21 September 2020 being 48 hours before the time appointed for the meeting. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 12.00 noon (BST) on 21 September 2020. Further information regarding the use of this facility is set out in the notes to the Notice of General Meeting. If you hold your Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction so as to be received by Equiniti no later than 12.00 noon (BST) on 21 September 2020.

If you have any queries in relation to the Form of Proxy you may call the Shareholder helpline on 0371 384 2660 (for calls from within the United Kingdom) and +44 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (BST) on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

Please note that the Shareholder helpline will not provide advice on the merits of the resolutions to be proposed at the General Meeting, or give any personal, legal, financial or tax advice.

As Shareholders are not expected to attend the General Meeting, the Board will also offer an opportunity for Shareholders to engage in advance of the meeting through a facility to submit questions by email. If Shareholders have any questions for the Board in relation to the Transaction before the General Meeting, these can be sent by email to IR.Mailbox@cairnenergy.com. The Board will endeavour to answer the key themes of these questions on the Company's website as soon as practical.

10. Further information

Your attention is drawn to the further information contained in Parts II to VI of this Circular and, in particular, to Part II (Risk Factors) of this Circular.

11. Recommendation

The Board has received financial advice from Rothschild & Co and Jefferies International Limited in relation to the Transaction. In providing financial advice to the Board, Rothschild & Co and Jefferies International Limited have relied on the Board's commercial assessment of the Transaction.

The Board considers that the Transaction is in the best interests of the Shareholders as a whole and, accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of 1,907,548 Shares, representing approximately 0.324 per cent of the Company's existing issued ordinary share capital as at the Latest Practicable Date.

Yours faithfully

Ian Tyler
Chairman

PART II

RISK FACTORS

Prior to making any decision to vote in favour of the Resolution, Shareholders should carefully consider all the information contained in this Circular, including, in particular, the specific risks and uncertainties described below. The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Transaction, material new risks to the Group as a result of the Transaction or existing material risks to the Group which will be impacted by the Transaction. If any, or a combination of, these risks actually materialise, the business operations, financial condition and prospects of the Group, as appropriate, could be materially and adversely affected. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Group. The information given is as at the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules and MAR (and/or any regulatory requirements) or applicable law, will not be updated. Additional risks and uncertainties not currently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business, financial condition, results of operations and prospects of the Group. If this occurs, the price of the Shares may decline and Shareholders could lose all or part of their investment.

1. Risks relating to the Transaction not proceeding or of a delay to Completion

Completion is subject to a number of conditions, and the Group may not realise the perceived benefits of the Transaction if it does not complete

The Transaction is conditional upon, amongst other things, the approval of Shareholders at the General Meeting. The Transaction will also require the approval of the Minister and the execution by the other parties to the RSSD JOA of the *Acte de Cession* (deed of transfer or assignment) in respect of the RSSD PSC and the Sale Interest.

There can be no assurance that these and the other Conditions will be satisfied and that Completion will be achieved by the long stop date of 23 April 2021 or at all. If the Completion does not occur, the Group will be required to meet its accrued costs in respect of the aborted Transaction. The Company has also incurred other transaction costs in relation to the negotiation of the Transaction and these will be incurred, irrespective of whether or not the Transaction proceeds to Completion.

The Board believes that the Transaction is in the best interests of Shareholders as a whole, and that it currently provides the best opportunity to realise value from Sangomar. The Transaction is intended to reweight the portfolio away from a single capital-intensive development project and position Cairn to invest and grow the business. If the Transaction does not proceed, the Group will not receive the net cash proceeds, it will remain exposed to near term capital requirements and its ability to create shareholder value by implementing its long-term strategy will be prejudiced. The Group may have difficulty realising a future farm-out of or divestment of the Group's interest in the RSSD PSC and the RSSD JOA on the same or better terms as those offered pursuant to the Transaction. The realisable value of the Sale Interest to the Group may be lower than can be realised by way of the Transaction.

The Sangomar Exploitation Plan may not be implemented as expected

Oilfield development projects are commonly subject to cost overruns and schedule delays due to many factors including failure to obtain necessary approvals and consents and failure to comply with obligations under licences, contracts and field development plans. The Group adopts a balanced approach to risk taking in the development stage and typically will seek to reduce its exposure to development risk in accordance with its stated strategy. Failure to complete the Transaction will mean the Group retains financial exposure to the development of the Sangomar field and the risks of cost impacts and schedule delays. Cost impacts and schedule delays could lead to increased capital expenditure requirements and loss of asset value and this could have a negative impact on the Group's business, financial condition, prospects and results of operations. In this regard, particular note should also be taken of the economic and market impact of the COVID-19 pandemic, discussed in more detail in the immediately following risk factor. The consequences of the COVID-19 pandemic include the potential impact on project execution, including the date of forecast first production from Sangomar. The legislative measures introduced in response to, or as a consequence of, the pandemic, including border closures, travel or export bans and restrictions, physical distancing restrictions and enforced office closures or restricted capacity within workplaces all present specific logistical challenges for execution of the Sangomar Exploitation Plan.

The Group's business requires significant capital expenditure over the medium to long term, predominantly related to the Sangomar project, and may face risks associated with its funding position if the Transaction is delayed for an extended period of time or, does not complete

Development is capital intensive and, through the Transaction and other sale or divestment transactions, the Group seeks to reduce its exposure to development costs. If completion of the Transaction is delayed for an extended period, such as an extended delay in the Group obtaining the written approval of the Minister to the Transaction, or the Resolution not being passed at the General Meeting, the Transaction would not complete and the Company would not receive the net proceeds from the Transaction. If the Transaction is delayed for an extended period of time or does not proceed, the Group would be responsible for its share of the Sangomar development costs, and would be significantly curtailed in its investment in other assets in accordance with its long-term strategy.

The economic and market impact of the current COVID-19 pandemic has increased the risks associated with the Group's funding position if the Transaction does not complete, particularly given the low oil and gas prices resulting in likely lower cashflows from Catcher and Kraken respectively and in view of the anticipated capital expenditure required to reach first oil from Sangomar. As stated in its announcement of 27 March 2020, Cairn has already undertaken an initial review of each of its assets and related capital expenditure programmes. That initial review identified significant reductions and deferrals for the 2020 programme, representing an overall 23% reduction in capital expenditure for the year. However, Cairn's ability to materially further reduce its capital expenditure commitments in relation to the Sangomar Development may be limited by the nature of the development contracts awarded by Woodside as operator.

Any failure by the Group to fund its share of Sangomar development costs before completion of the Transaction would, or could be expected to, result in a breach of the Sale and Purchase Agreement, or, as the case may be, the LUKOIL SPA, which could in turn result in the Transaction not proceeding. Further, any failure of the Group to fund its share of ongoing Sangomar development costs may result in the forfeiture of Capricorn Senegal's participating interest in the RSSD PSC and the RSSD JOA, including the Sangomar Development, or otherwise mean that the Sangomar Development does not proceed in accordance with the approved Sangomar Exploitation Plan. This could have a negative impact on the Group's business, financial condition, prospects and results of operations.

Default of FAR and potential default by other participants under the RSSD JOA

FAR Senegal, one of Capricorn Senegal's partners in the Sangomar Project, is in default under the RSSD JOA.

On 24 June 2020 FAR, which is listed on the Australian Stock Exchange, released an announcement to the market stating that its wholly owned subsidiary, FAR Senegal, holding an approximately 13.67% participating interest in the Sangomar Exploitation Area and a 15% participating interest in the remaining RSSD Contract Area, had not paid the most recent development cash call received by it and accordingly had received notification from Woodside, in its capacity as operator under the RSSD JOA, that it was in default under that contract.

The FAR announcement acknowledges that, under the RSSD JOA default provisions, if a defaulting party has not fulfilled its financial obligations within six (6) months from the date of notification of the default, it shall forfeit its participating interest without compensation. In the meantime, the non-defaulting parties (including Capricorn Senegal) are required to pay defaulting party's unpaid amounts pro-rata to their participating interests over this period, and the defaulting party loses all RSSD operating committee attendance and voting rights.

Assuming FAR Senegal continues to default on its funding obligations under the RSSD JOA, Capricorn Senegal will be required to meet around 42.2% of the FAR Senegal funding shortfall relating to Sangomar (following the exercise by Petrosen of the Participation Option) and 47.1% of any FAR Senegal funding shortfall relating to the remaining RSSD Contract Area outside the Sangomar Exploitation Area. The increase in Capricorn Senegal's funding requirement represents the proportion of its participating interest in RSSD (approximately 36.44% in the Sangomar Exploitation Area and 40% in the remaining RSSD Contract Area) relative to the aggregate participating interests of all non-defaulting parties (86.33% in the Sangomar Exploitation Area and 85% in the remaining RSSD Contract Area).

The FAR Senegal default has accordingly increased the funding requirement for Capricorn Senegal in respect of Sangomar and RSSD. This increased funding requirement will continue to be the responsibility of Capricorn Senegal until Completion or, if earlier, when FAR Senegal remedies the default.

However, in view of the FAR Senegal default occurring after the economic date of the Transaction, any additional funding requirement arising from the default in respect of the Sale Interest will be addressed through the adjustment for post-economic date expenditure in the Sale and Purchase Agreement or, as the case may be, the LUKOIL SPA. Sums paid by Capricorn Senegal pursuant to any such additional funding requirement before Completion will accordingly be reimbursed by Woodside or, as the case may be, LUKOIL to Capricorn Senegal means of this adjustment. Interest on the payment to be made to Capricorn Senegal in respect of this adjustment for post-economic date expenditure, including reimbursement of any additional funding requirement arising from the FAR Senegal default, will accrue interest (on a daily basis and calculated separately in respect of each payment relating to such expenditure by Capricorn Senegal) at the Agreed Rate from the date on which such payment was made to the date of Completion.

Capricorn Senegal, as a non-defaulting party, has been requested by Woodside (in its capacity as operator) to pay a proportionate share of the funding shortfall created by the default of FAR Senegal. The request by Woodside was made before exercise of the Participation Option by Petrosen in relation to the Sangomar Exploitation Area, and the subsequent exercise of the Participation Option and corresponding reduction in Capricorn Senegal's participating interest in Sangomar. The reduction in Capricorn Senegal's participating interest in Sangomar will also reduce Capricorn Senegal's net share of the additional funding obligation created by the default of FAR Senegal. Under the RSSD JOA, all sums paid by Capricorn Senegal in respect of its net share of this additional funding obligation will be constituted as an interest-bearing loan by Capricorn Senegal to FAR Senegal.

Assuming Completion on 30 September 2020, and the continuing default by FAR Senegal on that date, it is estimated that Capricorn Senegal will have been required to contribute approximately a further US\$16 million, in respect of its net share of the additional funding requirement arising from the FAR Senegal default. As stated above, this will be reimbursed (together with interest accrued thereon) by Woodside or, as the case may be, LUKOIL to Capricorn Senegal following Completion under the adjustment for post-economic date expenditure in the Sale and Purchase Agreement or the LUKOIL SPA.

If FAR Senegal forfeits its participating interest in RSSD before Completion as a result of its continuing default under the RSSD JOA, this forfeiture will not prevent or otherwise adversely affect Completion. However, the forfeiture will result in the Sale Interest subject to the Sale and Purchase Agreement being increased to reflect each non-defaulting party's proportional share of FAR Senegal's participating interest. Following Completion, Woodside or, as the case may be, LUKOIL will acquire the increased Sale Interest and reimburse all additional funding advanced by Capricorn Senegal in respect of the FAR Senegal default by means of the adjustment for post-economic date expenditure referable to the Sale Interest described in paragraph 4 of Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) of this Circular.

Aside from the FAR Senegal default, there is a general risk that other participants under the RSSD JOA may default on their obligations to fund capex or other funding obligations in relation to the Sangomar development, particularly in light of the increased capital commitments of the other parties to the RSSD JOA following FAR Senegal's default. In such circumstances, the Group may be required under the terms of the RSSD JOA to contribute all or part of such funding shortfall itself.

This funding risk has been magnified by the economic and market impact of the COVID-19 pandemic.

Any breach of agreement, or inability to undertake activities or failure to provide funding of the kind identified above on the part of other participants under the RSSD JOA, could adversely affect the Group's business, prospects, financial condition and results of operations. As stated above in relation to the FAR Senegal default any funding default by any such participant under the RSSD JOA could result in Capricorn Senegal, together with other non-defaulting participants, being required under the RSSD JOA to meet the funding shortfall for which the defaulting participant is responsible in proportion to their existing participating interests. Any requirement for Capricorn Senegal to provide additional funding under the RSSD JOA in the event of default by another participant would place further funding pressure on the Group and restrict its ability to commit capital elsewhere.

If the other participants in the RSSD JOA were not immediately able to meet the shortfall caused by a funding default by one or more participants under the RSSD JOA, including FAR Senegal, this would be likely to have an impact on the schedule of Phase 1 of the Sangomar Development, and increase the risk of it not proceeding at all.

Limited existing infrastructure or an erosion of the business and operating environment in Senegal could adversely impact the development of the Sangomar field

The RSSD Contract Area is located offshore Senegal. The Group faces various risks in its Senegalese operations that could adversely impact its financial position. These risks include security issues surrounding the safety of the Group's employees and operations, the Group's ability to enforce existing contractual rights, limited infrastructure and potential legislation that could increase taxes or otherwise led to asset impairment.

Senegal has lower levels of economic and state development than some other jurisdictions where oil and gas exploration and production companies operate. This could result in significant difficulties securing infrastructure and services in a timely and cost-effective manner required to implement the development plan.

Any government action concerning the economy, including the oil and gas industry (such as a change in oil or gas pricing policy, domestic supply obligation or taxation rules or practice, or renegotiation or nullification of existing concession contracts or oil and gas exploration policy, laws or practice), or impairment of operations due to limited infrastructure, could have a material adverse effect on the development of the Sangomar field and therefore on the Group's business, financial condition, prospects and results of operations.

Continued exposure to commodity price risks and RSSD subsurface risks

The future value of RSSD is dependent on future production and oil and gas commodity prices. Therefore should the Group retain its existing approximately 36.44% interest in the Sangomar Exploitation Area and its existing 40% interest in the remainder of the RSSD Contract Area, it will be exposed to material commodity price risk and the risk that the RSSD reservoirs do not reach the expected production levels set out in the Sangomar Exploitation Plan. Either of these risks could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

2. Risks relating to the Transaction

Warranties and indemnities in the Sale and Purchase Agreement and the LUKOIL SPA

The Sale and Purchase Agreement contains certain warranties and indemnities from Capricorn Senegal in favour of Woodside, guaranteed by Cairn, which are customary in nature. Similarly, the LUKOIL SPA contains customary warranties and indemnities from Capricorn Senegal in favour of LUKOIL, guaranteed by Cairn. In addition, the Sale and Purchase Agreement and the LUKOIL SPA each contain the Cost Recovery Undertaking (as defined in paragraph 6 of Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA)). If the Group is required in the future to make payments under any of the warranties or indemnities the costs of such payments could have an adverse effect on its business, financial condition and results of operations. Further details of the Sale and Purchase Agreement and the LUKOIL SPA, including the indemnities, are set out in Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) of this Circular.

3. Risks relating to the Group and, following Completion, the Continuing Group

The Group may be unable to implement its growth strategy

Cairn's strategy is to deliver value for Shareholders from the discovery, development or acquisition of hydrocarbons within a sustainable, self-funding business model.

There can be no assurance that the Continuing Group will continue to implement this strategy successfully or that future oil and gas prices will support this business model in future. Any failure to do so could materially adversely affect the reputation, financial condition and/or operating results of the Group.

There can be no guarantee that the Group will be successful in its investment in existing assets or the addition of new assets

The Group holds a portfolio of exploration acreage in Suriname, Mexico, Côte d'Ivoire, Mauritania, the UK and Israel. This portfolio is subject to ongoing evaluation and/or an exploration work programme. There can be no assurance that the Continuing Group's future exploration and development activities will result in the discovery and exploitation of commercial accumulations of oil and gas. The Continuing Group will also seek to expand and rebalance its portfolio through the addition of new assets, but there is no guarantee it will be successful in this endeavour. Either of these outcomes could be expected to result in an inability on the part of the Continuing Group to recover, in whole or in part, its initial outlay of capital expenditures and operating costs, resulting in a negative impact on the Continuing Group's business, financial condition, prospects and results of operations.

Increased cash resources will require prudent and secure investment

Following completion of the Transaction, and after any return of value to Shareholders the Continuing Group will have additional cash, which will require investment and increases the treasury risk. Every investment involves some degree of risk. There is a risk, therefore, that the Continuing Group's investments are exposed to volatile market conditions or other risk factors and do not perform as well as expected.

Without the addition of reserves through exploration, acquisition or development activities, the Continuing Group's reserves and production will decline over time as reserves are exploited

The Continuing Group's future oil and gas reserves, production and cash flows to be derived therefrom are highly dependent on its success in exploiting its current reserve and resource base, which will have been reduced as a consequence of the Transaction and will require the Continuing Group to acquire or discover additional reserves and resources. Without the addition of reserves through exploration, acquisition or development activities, the Continuing Group's reserves and production will decline over time as reserves are exploited. A future increase in the Continuing Group's reserves will depend not only on its ability to develop present properties, but also on its ability to select and acquire suitable producing properties or prospects. If such efforts are unsuccessful, the Continuing Group's total reserves may not increase or may decline, which could have a material adverse effect on its business, financial condition, prospects and results of operations.

REGARDING FORWARD LOOKING STATEMENTS

This Circular includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “anticipates”, “expects”, “intends”, “may”, “will”, “believes”, “estimates”, “plans”, “projects” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Circular and include, but are not limited to, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial position, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Group’s operations and financial position, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this Circular.

In addition, even if the results of operations, financial position and the development of the markets and the industry in which the Group operates are consistent with the forward looking statements contained in this Circular, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part II (Risk Factors) of this Circular.

Forward looking statements may, and often do, differ materially from actual results. Any forward looking statements in this Circular speak only as at the date of this Circular, reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations and growth strategy. You should specifically consider the factors identified in this Circular which could cause actual results to differ before making any decision in relation to the Transaction. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward looking statements in this Circular that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this Circular.

PART III

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT AND THE LUKOIL SPA

The following is a summary of the principal terms of the Sale and Purchase Agreement and the LUKOIL SPA. The Sale and Purchase Agreement and the LUKOIL SPA are available for inspection up to and including the date of the General Meeting, as described in paragraph 14 of Part VI (Additional Information) of this Circular.

The Sale and Purchase Agreement

1. Introduction

The Sale and Purchase Agreement was entered into on 4 September 2020 by and between Capricorn Senegal, Woodside and Cairn, pursuant to which Capricorn Senegal has conditionally agreed to sell to Woodside the Sale Interest, including any right, title and interest acquired in the RSSD PSC and/or RSSD JOA from any defaulting party under the RSSD JOA prior to Completion.

2. Conditions precedent

Completion under the Sale and Purchase Agreement is conditional upon the satisfaction or, where applicable, waiver of the following conditions, amongst others:

- 3.1 the written approval of the Minister to the transfer of the Sale Interest being obtained;
- 3.2 no Material Adverse Change having occurred (and for these purposes various matters are excluded from the definition of "Material Adverse Change", including changes in oil and gas global commodity prices, general trends affecting the oil and gas industry and changes to the global economy generally);
- 3.3 save as disclosed in accordance with the Sale and Purchase Agreement:
 - 3.3.1 each of certain fundamental warranties given by Capricorn Senegal to Woodside relating to capacity, title, business ethics and key asset documents (including the RSSD PSC and the RSSD JOA) being true, accurate and not misleading on the date of the agreement and being true, accurate and not misleading at Completion; and
 - 3.3.2 each of the other warranties given by Capricorn Senegal to Woodside being true, accurate and not misleading in all material respects on the date of the agreement and at Completion;
- 3.4 Capricorn Senegal complying in all material respects with certain undertakings relating to its conduct in relation to the Sale Interest, the RSSD PSC and the RSSD JOA before Completion;
- 3.5 the shareholders of Cairn passing a resolution to approve the Transaction at a duly convened general meeting (the "**Shareholder Approval Condition**");
- 3.6 the receipt by Woodside and/or Capricorn Senegal of a letter of comfort from the relevant Senegalese tax authority confirming that no fees, charges, duties, documentary charges, registration charges, stamp duties or other sums of a similar nature ("**Documentary Taxes**") will be payable with respect to the transfer of the Sale Interest or the execution, registration or approval of the Sale and Purchase Agreement and the corresponding completion documents; and
- 3.7 the approval and authorisation by the Republic of Senegal (having obtained such approval as may be required from BCEAO) of an onshore foreign currency account or accounts to be established on behalf of Woodside in accordance with applicable laws and regulations enabling Woodside to pay the sums it is required to pay under the Sale and Purchase Agreement.

Capricorn Senegal and Woodside have each undertaken to use reasonable endeavours, so far as it is within their power to do so, to procure that the conditions set out in paragraphs 3.1, 3.2, 3.6 and 3.7

above are satisfied as soon as is reasonably practicable. Cairn has undertaken to use reasonable endeavours to seek to procure that the Shareholder Approval Condition is satisfied no later than 25 September 2020, including an undertaking that the Directors recommend and maintain their recommendation that Shareholders vote in favour of the Resolution save where withdrawal of the recommendation is required to comply with fiduciary, statutory or other duties on the Directors.

Woodside is entitled to waive, in whole or in part, the conditions set out in paragraphs 3.2 to 3.4 and paragraph 3.7 above on notice to Capricorn Senegal. Capricorn Senegal is entitled to waive, in whole or in part, the Shareholder Approval Condition. Woodside or Capricorn Senegal may waive the condition set out in paragraph 3.6 above, subject to the party waiving the condition assuming sole responsibility for any fees, charges, duties, documentary charges, registration charges, stamp duties or other sums of a similar nature arising in connection with the transfer of the Sale Interest, the execution, registration or approval of the Sale and Purchase Agreement and the corresponding completion documents.

If any of the Conditions has not been satisfied or, where applicable, waived on or before 5.00 p.m. (London time) on 23 April 2021 (or such later date as may be agreed between Capricorn Senegal and Woodside), any party shall be entitled to terminate the Sale and Purchase Agreement by written notice to the other parties unless that party has wilfully committed a material breach of this Agreement (and for this purpose a “material breach” is a breach of the Sale and Purchase Agreement that prevents Completion through the non-satisfaction of a Condition).

4. Consideration

There are two elements, or potential elements, of the consideration payable by Woodside to Capricorn Senegal for the Sale Interest under the Sale and Purchase Agreement:

4.1 Base Consideration

The base consideration payable by Woodside to Capricorn Senegal at Completion under the Sale and Purchase Agreement is US\$300 million in cash, subject to conventional adjustments for the working capital attributable to the Sale Interest as at the economic date for the Transaction (being 1 January 2020) and for post-economic date expenditure referable to the Sale Interest. The adjustment for post-economic date expenditure will accrue interest at (on a daily basis and calculated separately with respect of each payment relating to such expenditure by Capricorn Senegal) the Agreed Rate from the date on which such payment was made to the date of Completion.

4.2 Sangomar First Oil Bonus

In addition to the base consideration a further payment may become due under the Sale and Purchase Agreement by Woodside to Capricorn Senegal dependent on the timing of first oil at Sangomar and the prevailing benchmark oil price during the 180 days following First Oil. If First Oil occurs

4.2.1 prior to 1 January 2024, the Production Condition has been satisfied and:

- i. the Average Brent Price during the 180 days after First Oil is above US\$55 and below or equal to US\$60 per barrel, Woodside shall pay Capricorn Senegal US\$50 million; or
- ii. the Average Brent Price during the 180 days after First Oil is above US\$60 per barrel, Woodside shall pay Capricorn Senegal US\$100 million;

4.2.2 during the period from 1 January 2024 and 30 June 2024 (inclusive), the Production Condition has been satisfied and:

- i. the Average Brent Price during the 180 days after First Oil is above US\$55 and below or equal to US\$60 per barrel, Woodside shall pay Capricorn Senegal US\$25 million; or
- ii. the Average Brent Price during the 180 days after First Oil is above US\$60 per barrel, Woodside shall pay Capricorn Senegal US\$50 million; or

4.2.3 on or after 1 July 2024 then no additional payment in respect of First Oil shall be payable by Woodside.

No additional payment will be due from Woodside if the Average Brent Price during the 180 days after First Oil is less than or equal to US\$55 per barrel.

The Average Brent Price is determined by reference to the published Dated Brent benchmark prices in S&P Global Platts under the code "PCAAS00" but, if S&P Global Platts ceases to publish such Dated Brent benchmark or materially changes the heading or contents of such benchmark and/or materially changes the assessments in a manner which affects such benchmark, the Sale and Purchase Agreement requires the parties (acting reasonably and in good faith) to agree upon an alternative source of third party information as soon as possible. The Sale and Purchase Agreement also contains provision for determination by an independent expert if the parties are unable to agree on the applicable Average Brent Price.

Subject to paragraph 9 (Tax) below, all amounts payable by Woodside under the Sale and Purchase Agreement are exclusive of any taxes which may be due.

5. Interim Period

During the period between the date of the Sale and Purchase Agreement and Completion, Capricorn Senegal has agreed to the following, among others:

- 5.1 comply in all material respects with the terms of the RSSD PSC, the RSSD JOA and (where it is a party to them) the Operational Contracts;
- 5.2 not withdraw from the RSSD PSC or the RSSD JOA or, without consent from Woodside, waive, settle or compromise any rights under or agree to amend the RSSD PSC, the RSSD JOA or (where it is a party to them) the Operational Contracts;
- 5.3 not approve any work programme, budget, expenditure or capital commitment relating to the Sale Interest involving expenditure which is (in aggregate with related expenditure) 10% or more than the corresponding line item of expenditure budgeted for in the 2020 exploitation budget approved by the Operating Committee and submitted to the Minister (the "**Exploitation Budget**") or 5% or more than the aggregate Exploitation Budget, without the prior written approval of Woodside, except to the extent reasonably required to respond to any emergency (other than transactions with related parties) where it is not reasonably feasible to seek the prior consent of Woodside;
- 5.4 subject to the preceding paragraph, not approve any work programme, budget, expenditure or capital commitment relating to the Sale Interest with respect to the period following 31 December 2020, without the prior written approval of Woodside, except to the extent reasonably required to respond to any emergency (other than transactions with related parties) where it is not reasonably feasible to seek the prior consent of Woodside;
- 5.5 subject to complying with and in accordance with any applicable obligation of confidence, consult with Woodside with regard to any material decisions to be taken by Capricorn Senegal with respect to the RSSD PSC (or operations to be undertaken by the operator under the RSSD JOA (including the Sangomar Development)) before exercising its rights under the RSSD JOA;
- 5.6 subject to complying with and in accordance with any applicable obligation of confidence, keep Woodside informed of any material developments regarding the RSSD PSC and of any operations conducted by the operator under the RSSD JOA (including the Sangomar Development);
- 5.7 promptly provide Woodside with copies of all joint billing statements, cash calls and invoices that it receives with respect to the Sale Interest and evidence of any payment of same (where paid);
- 5.8 not transfer or assign (or agree to transfer or assign) any of the Sale Interest or, without consent from Woodside, grant (or agree to grant) any Encumbrance over it or any part of it;
- 5.9 not terminate or agree to terminate any of all or any portion of the RSSD PSC, the RSSD JOA and the Operational Contracts (to the extent Capricorn Senegal is a party to them);
- 5.10 conduct activities in relation to the RSSD PSC, the RSSD JOA, the Sale Interest and (where Capricorn Senegal is a party to them) the Operational Contracts in the ordinary course, consistent with good oilfield practice with the intention that the same shall be maintained and protected;

- 5.11 provided that access shall not interrupt the operations conducted in respect of the RSSD PSC and subject to complying with and in accordance with any applicable obligation of confidence, make available or allow Woodside reasonable access to all information, data and other material to which Capricorn Senegal has direct access, reasonably requested by Woodside from time to time relating to the RSSD PSC, the RSSD JOA and the Sale Interest and operations conducted in respect thereof;
- 5.12 save to the extent budgeted for in the Exploitation Budget, not enter into, or approve entry into, any new Operational Contracts with a contract value in excess of US\$5 million without the prior written approval of Woodside (such approval not to be unreasonably withheld or delayed);
- 5.13 not approve any settlement payment in excess of US\$5 million by the operator under the RSSD JOA in respect of any claim by any party, whether under any Operational Contract or otherwise, without the prior written approval of Woodside (such approval not to be unreasonably withheld or delayed); and
- 5.14 not take any action which is inconsistent with the provisions of this Agreement or the fulfilment of the transaction contemplated by it.

Certain exemptions from these interim period undertakings are provided where necessary in the context of, among others, the requirement to comply with applicable legal, contractual or regulatory requirements, the implementation of any previously approved work programme under the RSSD JOA and certain actions reasonably undertaken in response to events beyond Capricorn Senegal's control that are capable of having a material adverse effect on the RSSD PSC and/or the parties to the RSSD JOA.

In addition, a number of the interim period undertakings, originally negotiated with LUKOIL under the LUKOIL SPA, are of less relevance to Woodside, already a party to the RSSD PSC and operator under the RSSD JOA, as prospective buyer. Accordingly, the Sale and Purchase Agreement also provides that none of the interim period undertakings shall require Capricorn Senegal to provide to Woodside any information, documentation, data or material already in Woodside's possession.

6. Warranties

Each of the parties have given customary warranties to the others in connection with the Transaction, certain of which will be repeated on the date of Completion. In the case of Capricorn Senegal, these warranties cover Capricorn Senegal's capacity to enter into the Transaction, title to the Sale Interest, the documentation governing the Sale Interest, compliance with the RSSD PSC, the RSSD JOA and the application for the Sangomar exploitation authorisation, cost recovery reporting under the RSSD PSC, compliance with applicable anti-bribery and corruption laws, anti-money laundering laws and global trade laws and regulation, the conduct of operations within the RSSD Contract Area, compliance with applicable environmental laws, permits, licences, consents and other authorisations, compliance with applicable laws relating to decommissioning and abandonment and health and safety matters, compliance with the RSSD PSC and the RSSD JOA in respect of insurance matters, the absence of any insurance claim and of any litigation or disputes and certain warranties relating to tax matters including compliance applicable laws and the absence of tax investigations, supervisions and audits in respect of the Sale Interest.

7. Cost Recovery

The Sale and Purchase Agreement provides that, subject to Completion:

- Capricorn Senegal assigns to Woodside the right to the Sale Interest share of the recovery of Petroleum Costs (as defined in the PSC), including any such costs paid by Capricorn Senegal with respect to the Sale Interest before the economic date of the Transaction; and
- Capricorn Senegal will be responsible for any loss arising from the disallowance of certain past costs by the Republic of Senegal as Petroleum Costs for recovery under Article 22 of the RSSD PSC, subject to a maximum liability to Capricorn Senegal of US\$7,395,000 in aggregate (the "**Cost Recovery Undertaking**").

The Cost Recovery Undertaking is without limitation to warranties from Capricorn Senegal relating to cost recovery contained in the Sale and Purchase Agreement, subject to the customary prohibition on recovery by Woodside more than once in respect of the same loss or liability.

8. Limitations on liability

Capricorn Senegal's liability under the warranties given by it under the Sale and Purchase Agreement is subject to certain customary limitations and exclusions. In particular, Capricorn Senegal has no liability under the warranties unless and until (i) the amount of liability in respect of each individual claim exceeds an amount equal to 0.1% of the initial consideration paid at Completion, and (ii) the aggregate amount of the liability of Capricorn Senegal in respect of all claims exceeding the sum set out in (i) exceeds an amount equal to 1% of the initial consideration paid at Completion. Furthermore, in no event shall Capricorn Senegal's maximum aggregate liability arising out of any claims under the warranties exceed an amount equal to 40% of the initial consideration paid at Completion (or 100% of such consideration for certain fundamental warranties). Capricorn Senegal shall have no liability under the warranties unless a claim is notified to it by Woodside within 24 months of Completion or, in the case of any claim for breach of the tax warranties in the Sale and Purchase Agreement, before 31 December 2024.

9. Tax

9.1 *Documentary taxes*

The Sale and Purchase Agreement provides that any Documentary Taxes arising in connection with the execution, registration or approval of the Sale and Purchase Agreement and the corresponding completion documents shall be borne by:

- (a) where applicable, the party waiving the condition described in paragraph 3.7 above; or
- (b) in all other cases, if such Documentary Taxes are properly charged:
 - i. on or before 5.00 p.m. (Senegal time) on 30 June 2024, Capricorn Senegal; or
 - ii. in all other cases, Woodside.

9.2 *Other taxes*

The Sale and Purchase Agreement provides that the parties acknowledge and agree that, pursuant to the provisions of Article 23.2 of the RSSD PSC and Articles 48 and 49 of the Senegalese Petroleum Code, Capricorn Senegal and Woodside will, as parties constituting the "Contractor" under the RSSD PSC, be exempt from any and all taxes, duties and fees levied in favour of the Senegalese state or government authority during the exploration and development phases of the RSSD PSC. Notwithstanding this, if any capital gains tax or taxes based on income or profits arise from the transfer of the Sale Interest by Capricorn Senegal, the Sale and Purchase Agreement provides that such taxes (including as a result of any reassessment), together with any related interest, surcharges, fines and penalties, shall be for the account of Capricorn Senegal.

In this regard Woodside is required to notify Capricorn Senegal promptly, and in any event within five Business Days, following the date on which Woodside becomes aware of a written notice from a tax authority of the Republic of Senegal determining that Woodside must withhold capital gains tax (or corporation tax based on capital gains) from, or account for capital gains tax (or corporation tax based on capital gains) in respect of, the consideration payable under the Sale and Purchase Agreement (a "**CG Tax Claim**").

If Woodside receives a CG Tax Claim on or before Completion it is, in addition to the notification obligation described above, required to provide Capricorn Senegal with the opportunity to participate in the investigation, defence, negotiation and settlement of the CG Tax Claim and, subject to this, entitled to deduct from the amount of the consideration payable by an amount equal to (and in no event greater than) the Tax which, in Woodside's reasonable opinion, is properly due and payable under applicable law in respect of the CG Tax Claim ("**CG Tax Properly Payable**") provided that:

- (a) this is consistent with the tax calculation prepared by Capricorn Senegal (the "**Seller's Tax Calculation**") (such calculation being warranted by Capricorn Senegal as having been prepared in good faith and being, so far as Capricorn Senegal is aware, correct in all material respects); and

- (b) Woodside has accounted for such CG Tax Properly Payable to the relevant tax authority and has provided written evidence to Capricorn Senegal's reasonable satisfaction of such payment.

If Woodside receives a CG Tax Claim after Completion, or to the extent a CG Tax Claim received prior to Completion is not otherwise dealt with before Completion, Woodside may pay an amount equal to the amount claimed in the CG Tax Claim to the relevant tax authority. Subject to Woodside providing written evidence to Capricorn Senegal's reasonable satisfaction of such payment and the receipt thereof by the relevant tax authority, Capricorn Senegal shall reimburse, to the extent not already deducted by Woodside from the consideration paid to Capricorn Senegal, Woodside for such payment, but only up to an amount consistent with the Seller's Tax Calculation.

The Sale and Purchase Agreement also provides that:

- (a) Capricorn Senegal has the right to participate in the investigation, defence, negotiation and settlement of the CG Tax Claim (including prior to litigation), provided that (i) it has given Woodside written notice of its intention to do so, (ii) it notifies Woodside of the position it wishes to adopt in a timely manner, and (iii) the joint conduct of the CG Tax Claim does not prejudice the interests of Woodside;
- (b) Woodside is required (i) to fully cooperate in connection with the investigation, defence, negotiation and settlement of any CG Tax Claim, (ii) to provide Capricorn Senegal with reasonable access to all information regarding any CG Tax Claim and any related facts, circumstances or events, and (iii) not to agree to a settlement, compromise, admission of liability or withdrawal in relation to a CG Tax Claim or any matter related to it without having first obtained the consent of Capricorn Senegal (such consent not to be unreasonably withheld); and
- (c) where there is a settlement, compromise or abandonment of the CG Tax Claim (or, if there is no further right of appeal against the CG Tax Claim, determination), there are corresponding obligations on the parties to make appropriate balancing or corrective payments or reimbursements to each other and, where applicable, to the relevant tax authority (including any late payment penalties and other reasonable costs).

10. Cairn Guarantee

The Sale and Purchase Agreement includes a guarantee from Cairn in favour of Woodside in respect of all of Capricorn Senegal's liabilities and obligations, financial and otherwise, under or arising out of the agreement. As is customary for performance guarantees of this nature, the guarantee includes an indemnity from Cairn in favour of Woodside in respect of any loss, liability or cost incurred by Woodside as a result of (i) Capricorn Senegal's failure to perform its obligations under or arising out of the Sale and Purchase Agreement and (ii) any of the obligations of Capricorn Senegal under the Sale and Purchase Agreement being or becoming void, voidable or unenforceable.

11. Buyer Guarantee

Woodside Energy has provided a guarantee in favour of Capricorn Senegal in respect of Woodside's financial obligations under the Sale and Purchase Agreement.

12. Woodside Assignment

Woodside is permitted, at any time before Completion, to assign or transfer to in whole or in part, the benefit of, and its rights and obligations under, the Sale and Purchase Agreement to any of its affiliated parties without the prior consent of Capricorn Senegal or Cairn.

13. Governing law and dispute resolution

The Sale and Purchase Agreement is governed by the law of England and Wales and any dispute is to be settled in London under the rules of arbitration of the London Court of International Arbitration.

The LUKOIL SPA

The principal terms of the LUKOIL SPA are identical to the principal terms of the Sale and Purchase Agreement set out above, save for the following:

- the LUKOIL SPA was entered into on 24 July 2020 and the buyer under the LUKOIL SPA is LUKOIL;
- the description of the Sale Interest in the LUKOIL SPA does not expressly refer to any right, title and interest acquired in the RSSD PSC and/or RSSD JOA from any defaulting party under the RSSD JOA prior to Completion;
- the financial obligations of LUKOIL under the LUKOIL SPA are guaranteed by LUKOIL International Upstream Holding B.V., incorporated under the laws of the Netherlands and registered with the Dutch Commercial Register under number 33306195, a principal trading subsidiary within the group having The PJSC Oil LUKOIL Company as its ultimate parent;
- the interim period undertakings in the LUKOIL SPA include an obligation on Capricorn Senegal to request the consent of the other parties to the RSSD JOA to the attendance by LUKOIL (in the capacity of an observer, without the right to speak or vote) at meetings held in accordance with the RSSD JOA;
- the interim period undertakings in the LUKOIL SPA do not include an equivalent provision to the provision in the Sale and Purchase Agreement stating that none of the interim period undertakings shall require Capricorn Senegal to provide to Woodside any information, documentation, data or material which is already in Woodside's possession; and
- completion of the LUKOIL SPA is conditional on the written waiver by the other parties to the RSSD JOA of their Pre-Emption Rights in respect of the Transaction with LUKOIL and the separate approval of those parties to the Transaction with LUKOIL.

PART IV

FINANCIAL INFORMATION RELATING TO THE SALE INTEREST

1. Basis of financial information

RSSD is accounted for as a joint operation in the financial information of the Group, as set out in Note 1 of the Group's consolidated financial statements. The following financial information relating to the Sale Interest has been extracted without material adjustment from the consolidation schedules which underlie the consolidated audited accounts for the Group for the three years ended 31 December 2017, 2018 and 2019.

The financial information contained in this Part IV relates to the Sale Interest proposed to be sold in the Transaction. The financial information contained in this Part IV has been prepared solely for the purposes of this Circular and does not constitute statutory financial statements within the meaning of the Companies Act 2006.

The statutory accounts for the Group in respect of each of the three financial years ended 31 December 2017, 2018 and 2019 have been delivered to the Registrar of Companies.

Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV.

2. Income Statements for the three years ended 31 December 2017, 2018 and 2019

<u>Income Statement</u>	<i>Year ended 31-Dec-19 US\$m</i>	<i>Year ended 31-Dec-18 US\$m</i>	<i>Year ended 31-Dec-17 US\$m</i>
Gross profit	—	—	—
Other administration expenses	—	—	—
Operating loss	—	—	—
Finance income	—	0.1	0.1
Finance costs	—	—	(0.7)
(Loss)/Profit before taxation	—	0.1	(0.6)
(Loss)/Profit after taxation	—	0.1	(0.6)

3. Historical Balance Sheet as at 31 December 2019

<u>Balance Sheet</u>	<i>As at 31-Dec-19 US\$m</i>
Assets	
Non-current assets	
Intangible exploration and appraisal assets	143.1
Property, plant & equipment – development/producing assets	378.8
Total non-current assets	521.9
Current assets	
Trade and other receivables	—
Total assets	521.9
Current Liabilities	
Trade and other payables	9.8
Non-Current Liabilities	—
Total liabilities	9.8
Net Assets	512.1

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

Section 1. Basis of financial information

The following unaudited pro forma statement of net assets of the Group has been prepared under the Group's accounting policies as set out in its consolidated audited financial statements for the financial year ended 31 December 2019 and on the basis of the notes set out below to illustrate how the Transaction might have affected the net assets of the Group as if it had occurred on 31 December 2019.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature only addresses a hypothetical situation and, therefore, does not represent the actual financial position of the Group.

The pro forma statement of net assets has been prepared in accordance with paragraph 13.3.3R of the Listing Rules. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part V.

PricewaterhouseCoopers LLP's report on the unaudited pro forma statement of net assets is set out in Section 2 of this Part V.

	Group as at 31 December 2019 Note 1 US\$m	Adjustments			Pro forma Note 5 US\$m
		Sale Interest Note 2 US\$m	Transaction Adjustments Note 3 US\$m	Proposed dividend Note 4 US\$m	
Non-current assets					
Intangible exploration/ appraisal assets	245.9	(143.1)	—	—	102.8
Property, plant & equipment – development/producing assets	1,405.3	(378.8)	—	—	1,026.5
Other property, plant & equipment and intangible assets	13.6	—	—	—	13.6
	<u>1,664.8</u>	<u>(521.9)</u>	<u>—</u>	<u>—</u>	<u>1,142.9</u>
Current assets					
Inventory	13.8	—	—	—	13.8
Financial asset at fair value through profit or loss	5.1	—	—	—	5.1
Cash and cash equivalents	146.5	—	283.7	(250.0)	180.2
Trade and other receivables	111.2	—	—	—	111.2
Derivative financial instruments	4.1	—	—	—	4.1
	<u>280.7</u>	<u>—</u>	<u>283.7</u>	<u>(250.0)</u>	<u>314.4</u>
Assets held-for-sale	<u>143.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>143.5</u>
Total assets	<u>2,089.0</u>	<u>(521.9)</u>	<u>283.7</u>	<u>(250.0)</u>	<u>1,600.8</u>
Current liabilities					
Lease liabilities	43.1	—	—	—	43.1
Derivative financial instruments	1.6	—	—	—	1.6
Trade and other payables	134.6	(9.8)	—	—	124.8
Deferred revenue	16.9	—	—	—	16.9
	<u>196.2</u>	<u>(9.8)</u>	<u>—</u>	<u>—</u>	<u>186.4</u>
Non-current liabilities					
Provisions – decommissioning	141.2	—	—	—	141.2
Lease liabilities	239.8	—	—	—	239.8
Deferred revenue	18.7	—	—	—	18.7
	<u>399.7</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>399.7</u>
Liabilities held-for-sale					
	<u>37.6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>37.6</u>
Total liabilities	<u>633.5</u>	<u>(9.8)</u>	<u>—</u>	<u>—</u>	<u>623.7</u>
NET ASSETS	<u>1,455.5</u>	<u>(512.1)</u>	<u>283.7</u>	<u>(250.0)</u>	<u>977.1</u>

Notes:

1. The financial information in respect of the Group has been extracted without material adjustment from the audited financial statements for the Group for the financial year ended 31 December 2019 prepared in accordance with IFRS as adopted by the EU.
2. The financial information for the Sale Interest has been extracted without material adjustment from Part IV (Financial information relating to the Sale Interest) of this Circular.
3. Adjustments reflect: The initial cash and cash receivable consideration of US\$300.0m, less working capital balances of US\$9.8m and forecast transaction expenses of US\$6.5m. On

completion of the sale, no value is recognised for deferred consideration which may be due in future periods. The pro forma net assets statement excludes the amounts reimbursable to the Group for post-economic date expenditure referable to the Sale Interest since 1 January 2020.

4. Adjustment reflects the intention of the Group to return at least US\$250m to shareholders following completion, as set out in Part I (Letter from the Chairman of Cairn Energy PLC) of this Circular.
5. No account has been taken of trading results of the Group since 31 December 2019.

Section 2. Report on the Unaudited Pro Forma Statement of Net Assets of the Group



The Directors
Cairn Energy PLC
50 Lothian Road
Edinburgh
EH3 9BY

N. M. Rothschild & Sons Limited
New Court
St Swithin's Lane
London
United Kingdom
EC4N 8AL

7 September 2020

Dear Ladies and Gentlemen

Cairn Energy PLC (the "Company")

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in Section 1 of Part V of the Company's circular dated 7 September 2020 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the disposal of the Senegalese Assets might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the audited consolidated financial statements for the period ended 31 December 2019. This report is required by item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**Listing Rules**") and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of

making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names are set out in paragraph 5 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Cairn

The Company was incorporated and registered in Scotland on 7 January 2002 as a private company limited by shares with registered number SC226712 with the name of "Randotte (No. 507) Limited". On 5 December 2002 the Company was re-registered as a public limited company and changed its name to "New Cairn Energy PLC". The Company changed its registered name to "Cairn Energy PLC" on 19 February 2003.

The principal legislation under which the Company was formed and under which the Company operates is the Companies Act 1985 and the Companies Act 2006 respectively. The Company is domiciled in the United Kingdom.

The registered office of the Company is 50 Lothian Road, Edinburgh EH3 9BY and its telephone number is +44 (0)131 475 3000. The Company is the ultimate holding company of the Group, and its principal activity is the extraction of crude petroleum.

3. Trend information

Full Year Results Announcement to 31 December 2019

On 10 March 2020 the Company published its full year results for the financial year ending 31 December 2019, containing, *inter alia*, the following statements:

Reserves

After accounting for production in the period, Group 2P reserves increased during the year by 86 mmboe from 56 mmboe to 142 mmboe, following promotion of the Sangomar phase 1 contingent resources to reserves (+91.4 mmboe), increases on the main Catcher (+1.9 mmboe) and Kraken (+6.4 mmboe) fields and movement of Worcester (+1.5 mmboe) and Catcher satellites (+0.8 mmboe) from Contingent Resources to Reserves following JV commitment to these incremental projects.

Production

Both Catcher and Kraken delivered good production performance in 2019, with annual production of ~23,000 bopd at the top end of our guidance. Catcher and Kraken are at peak rates and the focus is on optimising existing wells and maturing new opportunities to help sustain production in forthcoming years.

Catcher

Gross production from the Catcher Area (Cairn 20% WI) averaged 63,600 bopd in 2019. The Area, comprising the Catcher, Varadero and Burgman fields, continued to outperform during 2019 achieving excellent operating efficiency from the FPSO.

2020 drilling will deliver three new production wells. Development of two Catcher Area satellite oil fields, Catcher North and Laverda, is progressing to plan. The two development wells are scheduled to be drilled in mid-2020, along with an additional Varadero production well. First oil from Catcher North and Laverda is targeted for H1 2021 and together with the Varadero infill well, will help to offset natural decline of the Catcher Area as the existing wells come off plateau.

The JV continues to work up additional well targets within the Catcher area and nearby discoveries to maximise economic recovery. Two Burgman infill wells are under-evaluation for 2021.

In addition, a 4D seismic survey across the Catcher Area is scheduled to take place mid-year to identify further infill opportunities as well as to improve the imaging of already identified near field prospects and discoveries. Planned shut-downs for maintenance and tie-ins of new satellite wells will occur during 2020.

Kraken

Gross production from Kraken (Cairn 29.5% WI) averaged 35,600 bopd in 2019. FPSO performance was significantly improved during H2 2019 and this has continued into 2020. Water cut levels have stabilised and more regular well testing has provided additional insight and improved confidence in long-term production forecasts.

Drilling of two wells, a producer and an injector pair on the western flank of the Kraken field (Worcester accumulation) is expected to commence in H1 and tied in and onstream in H2 2020. This development will utilise spare capacity in the existing DC2 sub-sea infrastructure.

The western flank area provides further opportunities and the Pembroke, Antrim and Barra areas are being evaluated.

Developments

Senegal - Sangomar

Cairn's discoveries offshore Senegal from the country's first deep water wells opened up a new basin on the Atlantic Margin. Cairn operated three successful drilling programmes from 2014 to 2017 and laid the foundations for Senegal's first multi-phase oil and gas development with first oil targeted in H1 2023.

The JV will be working with all stakeholders to ensure that the Sangomar development delivers enduring benefits to the people of Senegal as a project of national significance and an anchor for economic and social development.

In January 2020, the JV made the Final Investment Decision following receipt of the 25-year Exploitation Authorisation from the Government of Senegal.

The Sangomar field (formerly SNE), located 100km offshore to the south of Dakar, is within the Sangomar Deep Offshore permit area. Phase 1 of the development will target oil reserves from the lower reservoirs and an initial pilot phase in the upper reservoirs. Over the life of the field, total recoverable oil reserves are estimated to be ~500mmbbls with the development also including plans to export gas to shore for the domestic market.

The funding plan to allow the Group to meet its share of development costs is well progressed. Cairn remains confident that it will be able to meet its share of expenditure and maintain current equity levels in the project.

The project has now entered the development execution phase of activities and Operator Woodside has completed the purchase contract for the FPSO facility and issued full notices to proceed for the drilling and subsea construction and installation contracts.

The key contractors for the development are:

MODEC Inc	FPSO purchase	Oil processing capacity of 100,000 bbl/day
Subsea Integration Alliance	Construction and installation	Integrated subsea production systems and subsea umbilicals, risers and flowlines
Diamond Offshore	Two well-based contracts for drill rigs	Ocean BlackRhino and Ocean BlackHawk with phased drilling targeted to commence in Q2 2021
Halliburton and BHGE	Main Drilling Services contracts	
Shearwater	High-density multi-azimuth 3D seismic acquisition contract over the field and neighbouring FAN discovery	Data acquisition for this survey was completed in Q4 2019 and is intended to improve reservoir definition to support development well placement

In addition to Phase 1, the JV continues to work with the Ministry of Petroleum and Energy and Petrosen to progress subsequent oil opportunities, including the other discoveries located in the Rufisque Offshore and Sangomar Offshore blocks. This work also includes planning for the provision of Sangomar gas to supply Senegal's domestic needs and Gas to Power initiative.

Norway asset disposals

In line with Cairn's consistent strategy to realise value and redeploy capital within our portfolio, two attractive transactions were announced in the year.

In August 2019, Cairn entered into a farm-out agreement with ONE-Dyas Norge AS for the sale of 10% interest in the Nova development offshore Norway for a consideration of US\$59.5m plus working capital adjustments from the effective date of 1 January 2019. Following the transaction Cairn retained a participating interest of 10%. The transaction was completed in Q4 2019.

In November 2019, Cairn entered into an agreement with Sval Energi AS (formerly Solveig Gas Norway AS) to dispose of the entire share capital of its Norwegian subsidiary, Capricorn Norge, for a consideration of US\$100m plus working capital adjustments, from the effective date of 1 January 2020. The transaction completed in late February 2020.

Following these transactions, Cairn has disposed of all its assets in Norway and reduced its committed exploration and development expenditure by US\$210m. We would like to express our gratitude and best wishes to our employees in Stavanger who are joining Sval Energi AS.

Exploration

Mexico

Cairn has interests in four blocks in the Gulf of Mexico, two as operator (Blocks 9 and 15) and two as non-operator (Blocks 7 and 10).* Mexico provides an exciting opportunity to discover commercial quantities of hydrocarbons in a highly prolific, yet under-explored region and has been a focus for Cairn's exploration drilling activities in late 2019 and early 2020.

In its Operated Block 9 (50% WI), Cairn completed the first well of a two well programme in Q4 2019. The exploration objectives of the Alom-1 well was to prove hydrocarbons in stacked Pleistocene targets, these were found to be dry and the well was permanently plugged and abandoned. Preliminary analysis indicated that the well encountered over 500m of high-quality water bearing sands across multiple targets. This information is helping to calibrate Cairn's seismic data and geological models and is being integrated to improve our understanding of the petroleum system offshore Mexico.

In Q1 2020, an oil discovery was confirmed on the non-operated Saasken-1 exploration well (15% WI)* in Block 10 in the Sureste Basin. Preliminary estimates by the Operator, Eni, indicate the discovery may contain 200 to 300 million barrels of oil in place. Eni estimate that Saasken-1 discovered 80m of net pay of good quality oil in the Lower Pliocene and Upper Miocene sequences with excellent petrophysical properties. An intensive data collection has been carried out on the well and Eni has

indicated that a production capacity for the well of more than 10,000bopd may be possible. This first discovery across Cairn's Sureste acreage interest opens the potential for a development hub, allowing tie-back of future discoveries across Blocks 9 and 10. Cairn has identified a number of prospects and leads across Blocks 9 and 10 that could be possible future exploration targets and tie-back candidates.

Cairn completed its second operated well in Q1 2020. The exploration objective of the Bitol-1 well on Block 9 was to prove hydrocarbons in stacked Pliocene and Miocene targets. The objectives were found to be dry and the well is being permanently plugged and abandoned. Some oil shows were encountered in good quality, water-bearing sandstones.

The information gathered will help calibrate the seismic data and geological models and is being integrated to evaluate further prospectivity. Bitol-1 was drilled by the Maersk Developer semi-submersible to a vertical depth of 5,210m below the sea surface and was terminated in the Miocene section. The well was drilled ~120 kilometres northwest of Villahermosa. Cairn holds a 50% WI with JV partners Citla Energy (35% WI) and ENI (15%WI)*.

On Block 7 (30% WI) the Ehecatl-1 well commenced in February 2020, targeting stacked objectives in the Lower Miocene. This well, operated by Eni, is being drilled with the Ensco Valaris 8505 semi-submersible rig in a water depth of 426m.

In Block 15 in the Tampico-Misantla Basin, an environmental baseline survey was completed in Q1 2019 and technical evaluation of the block is progressing.

UK and Norway

Cairn participated in four exploration wells in the UK and Norway region in 2019: PL885 (Cairn 30% WI) in the Norwegian North Sea, containing the Presto prospect; PL758 (Cairn Operated 50% WI) in the Norwegian Sea, containing the Lynghaug prospect; PL842 (Cairn Operated, 40% WI) in the Norwegian Sea containing the Godalen prospect; and P2312 (Cairn Operated, 60% WI) in the UK North Sea containing the Chimera prospect. All four wells were reported as dry and plugged and abandoned.

In early March 2020, Cairn entered into an asset exchange agreement with Shell UK Limited in which Cairn transferred a 50% WI in P2379 in exchange for 50% WI of P2380. Each licence contains a firm commitment to drill an exploration well (with both wells planned to be drilled in the period from H2 2020 to H1 2021).

Suriname

Cairn has an exploration agreement (Cairn operated, 100% WI) on the largest block offshore Suriname. The licence covers an area of ~13,000 km² on the Demerara plateau in the Guyana-Suriname basin, conjugate to the West Africa Margin, which includes the Sangomar field in Senegal. In H1, 4,500 km of 2D seismic data was acquired and has been fully processed. Block-wide interpretations and an update of the prospect inventory are ongoing, with a decision on future 3D seismic acquisition to be made later this year with a view to potential drilling activity thereafter. Several projects supporting local initiatives are in early stage development, including industry capacity-building through training and education and a project focused on the coastal environment.

Israel

In H2 2019, Cairn was awarded eight licences offshore Israel in the country's second offshore bid round. Cairn is Operator of the licences with a 33.34% WI alongside two JV partners: Ratio Oil Exploration (33.33% WI) and Pharos Energy plc (33.33% WI). The JV is planning to re-process existing 3D seismic in order to better assess the prospectivity within the awarded licences.

*The National Hydrocarbon Commission (CNH) approved the 15% share of Capricorn Energy Mexico in Block 10 (contract CNH-R02-L01-A10.CS/2017). At the same time CNH approved the acquisition of a 15% share of Eni Mexico in the adjacent Block 9 (contract CNH-R02-L01-A09.CS/2017) operated by Capricorn Energy Mexico. The signature process of the revised Production Sharing Contracts to reflect the change in the JV working interest is ongoing. Capricorn Energy Mexico is a wholly owned subsidiary of Cairn Energy PLC.

Mauritania

Cairn has exercised its option agreement with Total to enter block C7, targeting a turbidite fan play in a large offshore exploration block in a proven oil province. Cairn has acquired a 40% WI (Total Operator 50% WI and Société Mauritanienne des Hydrocarbures 10% WI), subject to government approval. Final interpretation of ~7,000km² seismic data was completed in H1 2019 with a possible well planned in H2 2021.

Côte d'Ivoire

Cairn has a 30%, non-operated, interest in all seven of the Tullow-operated onshore licences (CI -301, CI-302, CI-518, CI-519, CI-520, CI-521 and CI-522). A 2D seismic acquisition programme including passive seismic acquisition is being conducted in four phases and the approvals are being phased accordingly. The programme commenced on the eastern blocks (C1-520-C1-522) in early 2020 with approval for the next phase expected in Q1 and a possible well drilling in 2021.

Events since publication of full year results to 31 December 2019

Since publication of the Company's results for the financial year ending 31 December 2019 on 10 March 2020, the following material developments have occurred on or in relation to the Group's business:

Review of assets and 2020 capital expenditure programme

On 27 March 2020 the Company published a further operational update in light of the legislative measures and guidance introduced in response to the COVID-19 pandemic and the consequent effect on market conditions. In that announcement the Company indicated that it was in the process of reviewing its assets and related capital expenditure programmes and had already identified significant reductions and deferrals for the 2020 programme.

The 27 March 2020 announcement also included the following specific statements in relation to the Group's production, development and exploration assets:

- **Producing Assets:** Planned 2020 capital expenditure on the UK producing assets is expected to be below US\$45 million, reduced from the original forecast of US\$65 million as a result of cost savings identified and the deferral of certain activities planned for the Catcher fields.
- **Development Assets:** The Sangomar joint venture partnership is working collaboratively to assess several substantial initiatives to reduce and re-phase capital expenditure on the Sangomar Development Project. At this stage, based on initiatives already identified, Cairn's expectation is that net capital expenditure on Sangomar in 2020 will be below US\$330 million, reduced from the original forecast of US\$400 million. A broader review of capital expenditure for 2020 and future years is ongoing with the joint venture, and an update on the results of that will be provided in due course.
- **Exploration:** All forward capital expenditure on exploration and appraisal activity is now deferred with the exception of ongoing operations on the Eni operated Ehecatl well in Mexico. Capital expenditure on exploration in 2020 is now anticipated to be approximately US\$100million, reduced from the original forecast of US\$150 million.

Mexico Drilling Update

On 5 May 2020 the Company announced that operations had been completed on the Eni-operated Ehecatl-1 exploration well in Block 7, offshore Mexico. The exploration target of the well was to prove hydrocarbons in the Lower Miocene. The well did not find reservoir hydrocarbons and was permanently plugged and abandoned.

FAR Default under RSSD JOA

As stated in Part II (Risk Factors) of this Circular under the heading "**Default of FAR and potential default by other participants under the RSSD JOA**", FAR announced on 24 June 2020 that its wholly owned subsidiary, FAR Senegal, had not paid the most recent development cash call received by it under the RSSD JOA and accordingly had received notification from Woodside, the operator

under the RSSD JOA, that it was is in default under that contract. Capricorn Senegal, as a non-defaulting party, has been requested by Woodside to pay a proportionate share of the funding shortfall created by FAR Senegal's default. Assuming Completion on 30 September 2020, and the continuing default by FAR Senegal on that date, it is estimated that Capricorn Senegal will have been required to contribute a further US\$15.95 million in respect of its net share of the additional funding requirement arising from the FAR Senegal default. Under the RSSD JOA, all sums paid by Capricorn Senegal in respect of its net share of this additional funding obligation will be constituted as an interest-bearing loan by Capricorn Senegal to FAR. If FAR fails to remedy its default under the RSSD JOA within six months of the original notice from Woodside, it will forfeit its participating interest in RSSD.

In view of the FAR Senegal default occurring after the economic date of the Transaction, any additional funding requirement arising from the default in respect of the Sale Interest will be addressed through the adjustment for post-economic date expenditure in the Sale and Purchase Agreement or, as the case may be, in the LUKOIL SPA. Sums paid by Capricorn Senegal pursuant to any such additional funding requirement before Completion will accordingly be reimbursed by Woodside or, as the case may be, LUKOIL to Capricorn Senegal means of this adjustment. This reimbursement will include interest accrued (on a daily basis and calculated separately in respect of each payment of expenditure by Capricorn Senegal) at the Agreed Rate from the date on which such payment was made by Capricorn Senegal to the date of Completion.

Exercise by Woodside of Pre-Emption Rights

As described in more detail in paragraph 7 (Woodside Pre-Emption and Petrosen Participation Option), on 17 August 2020 Woodside exercised its Pre-Emption Rights in respect of the proposed transaction under the LUKOIL SPA.

4. Directors and senior management

The names and principal functions of the Directors and the Company's senior management are as follows:

<i>Directors</i>	<i>Position</i>
Ian Tyler	Non-Executive Chairman*
Keith Lough	Non-Executive Director
Peter Kallos	Non-Executive Director
Nicoletta Giadrossi	Non-Executive Director
Alison Wood	Non-Executive Director
Cathy Krajicek	Non-Executive Director
Erik Daugbjerg	Non-Executive Director
Simon Thomson	Chief Executive
James Smith	Chief Financial Officer

*As announced by the Company on 7 May 2020, Ian Tyler has indicated to the Board of his intention to retire once a successor has been appointed. This is anticipated within the next 12 months.

5. Directors' and senior management's shareholdings and stock options

5.1 Save as set out below, none of the Directors or other persons discharging managerial responsibilities ("PDMRs") has any interest in the share capital of the Company or any of its subsidiary undertakings.

5.2 The interests (all of which are beneficial) of the Directors, of their respective immediate families and (so far as is known or could with reasonable diligence be ascertained by the relevant Director) of any person connected with a Director in the share capital of the Company as at the Latest Practicable Date are as follows:

Director	Number of Shares	Percentage of issued ordinary share capital*
Ian Tyler	0	0.000%
Keith Lough	0	0.000%
Peter Kallos	10,982	0.002%
Nicoletta Giadrossi	0	0.000%
Alison Wood	0	0.000%
Cathy Krajcicek	0	0.000%
Erik Daugbjerg	0	0.000%
Simon Thomson ⁽³⁾	1,345,922	0.228%
James Smith ⁽³⁾	550,644	0.093%

* (rounded to the nearest third decimal place)

Notes:

- (1) The table set out above assumes no dealings by the Directors or their connected persons and that no further Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after the Latest Practicable Date.
- (2) The interests of the Directors in Shares together represent 0.324% (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company as at the Latest Practicable Date.
- (3) The interests of the Executive Directors include Shares awarded to them under the SIP. These awards consist of "partnership shares" purchased using deductions from the relevant Director's salary and also "free shares" and free "matching shares" awarded by the Company. These shares are beneficially owned by the Director from the date of purchase/award and, as a consequence, are included in the numbers of Shares shown above.

5.3 The interests (all of which are beneficial) of the PDMRs (other than the Directors) in the share capital of the Company as at the Latest Practicable Date are as follows:

PDMR	Number of Shares	Percentage of issued ordinary share capital*
Eric Hathon, Director of Exploration ⁽²⁾	47,323	0.008%
Paul Mayland, Chief Operating Officer ⁽²⁾	638,253	0.108%
Douglas Taylor, Deputy Finance Director ⁽²⁾	240,784	0.041%
Richard Ember, Regional Director (International) ⁽²⁾	91,262	0.015%
Miles Warner, Director of Government Relations	15,000	0.003%
David Nisbet, Director, Corporate Affairs ⁽²⁾	112,623	0.019%

* (rounded to the nearest third decimal place)

Notes:

- (1) The table set out above assumes no dealings by the PDMRs or their connected persons and that no further Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after the Latest Practicable Date.
- (2) The interests of these PDMRs include Shares awarded to them under the SIP. These awards consist of "partnership shares" purchased using deductions from the relevant PDMR's salary and also "free shares" and free "matching shares" awarded by the Company. These shares are beneficially owned by the PDMR from the date of purchase/award and, as a consequence, are included in the numbers of Shares shown above.

5.4 As at the Latest Practicable Date, the Directors and other PDMRs held the following outstanding rights to acquire Shares under the 2017 LTIP:

	Outstanding awards under the 2017 LTIP (Shares)	
	Unvested Awards still subject to performance conditions	Vested but unexercised Awards ⁽¹⁾
Executive / Director		
Simon Thomson	2,416,842	176,128
James Smith	1,571,928	114,555
PDMR		
Eric Hathon	1,294,887	94,365
Paul Mayland	1,351,433	98,486
Richard Ember	556,644	40,267
Miles Warner	588,749	42,889
Douglas Taylor	508,067	36,232
David Nisbet	651,118	47,101

(1) This column includes all outstanding Awards that have vested following the expiry of the applicable performance period, regardless of whether or not they are currently capable of being exercised under the rules of the 2017 LTIP.

5.5 As at the Latest Practicable Date the aggregate number of Shares in respect of which options or other rights to subscribe had been granted by the Company was 3,073,608 (representing approximately 0.521% of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

6. Directors' service contracts

6.1 Executive directors' service agreements

On 29 June 2011, Simon Thomson entered into an agreement with Cairn to act as an executive director and Chief Executive with effect from 1 July 2011. On 4 February 2014, James Smith entered into an agreement with Cairn to act as Director of Finance (a non-Board position). He was then appointed as Chief Financial Officer with effect from 15 May 2014.

The service agreements are permanent contracts but can be terminated by either the Director concerned or Cairn on giving 12 months' notice of termination. The service agreements do not specify a retirement age.

Under the service agreements, as amended, the current annual basic salary of Simon Thomson and James Smith is as follows:

Simon Thomson	£586,650
James Smith	£381,561

Salaries are reviewed on an annual basis by the Remuneration Committee. Bonus payments are at the sole discretion of the Remuneration Committee.

Each Executive Director is entitled to a company car up to a maximum value of £70,000 (or, as an alternative, an annual car allowance of up to £8,771), permanent health insurance, private health insurance and death in service benefit of up to 4 times annual basic salary at the date of death.

Each Executive Director is also entitled to be reimbursed for all reasonable out-of-pocket expenses properly incurred in the performance of his or her duties.

The Company operates a defined contribution group personal pension plan in the UK, called the Capricorn Oil Group Pension Plan. The scheme is non-contributory and all UK permanent employees are eligible to participate. The Company contributes 15% in respect of the annual basic salaries of the current Executive Directors.

If an Executive Director's pension arrangements are fully funded or applicable statutory limits are reached, an amount equal to the Company's contribution (or the balance thereof) is paid in the form of additional salary.

On joining the Company, James Smith became a member of the Capricorn Oil Group Pension Plan.

Simon Thomson's pension arrangements are fully funded. As a result, he receives an amount equal to 15% of his annual basic salary as additional salary.

The service agreements do not provide for any commission or profit-sharing arrangements.

On a change of control of the Company resulting in the termination of his employment, the current Chief Executive is entitled to compensation of a sum equal to his annual basic salary as at the date of termination of employment. The Board recognises that this provision is no longer in accordance with best practice. It was not included in the contract of the new Chief Financial Officer, and will not be included in the contracts of other future appointees to the Board; however, it continues to apply to the current Chief Executive.

Each Executive Director is subject to post-termination obligations for a period of 6 months from the date of termination of employment. The obligations relate to non-competition, non-soliciting of clients or employees, and non-interference with the existing suppliers of the Company.

6.2 *Non-executive directors' letters of appointment*

Letters of appointment have been entered into between the Company and each of the Non-Executive Directors, which set out their respective responsibilities. Those letters of appointment do not provide for any period of notice. Under the Articles of Association (and consistent with the UK Corporate Governance Code), at each AGM every director must retire and offer themselves for re-election. The following table sets out the date of appointment or last reappointment of each Non-Executive Director. No compensation is payable to any Non-Executive Director who retires at an AGM and is not re-elected or whose appointment is otherwise terminated by the Company. In addition to an annual fee, each Non-Executive Director is also entitled to be reimbursed for all reasonable out-of-pocket expenses properly incurred in the performance of his or her duties.

Director	Date of appointment or of last reappointment	Annual fee
Ian Tyler	17 May 2019	£180,000
Keith Lough	17 May 2019	£ 85,500 ⁽¹⁾
Peter Kallos	17 May 2019	£ 75,500
Nicoletta Giadrossi	17 May 2019	£ 85,500 ⁽²⁾
Alison Wood	1 July 2019	£ 75,500
Cathy Krajicek	1 July 2019	£ 75,500
Erik Daugbjerg	14 May 2020	£ 75,500

Notes:

- (1) Keith Lough is also entitled to an additional annual fee of £10,000 for chairing the Audit Committee.
- (2) Nicoletta Giadrossi is also entitled to an additional annual fee of £10,000 for chairing the Remuneration Committee.

Save as disclosed in paragraphs 6.1 and 6.2 above, there are no existing or proposed service contracts or letters of appointment between any Director and any member of the Group.

7. Major Shareholders

7.1 Other than the interests of the Directors and members of the senior management disclosed in paragraph 6 of this Part VI, as at the Latest Practicable Date the Company had been notified of the following holdings in the Company's issued ordinary share capital pursuant to DTR 5 (each, a "Notifiable Interest"):

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of voting rights attached to the Shares as at the Latest Practicable Date ⁽¹⁾</i>
MFS Investment Management	82,889,801	14.06
BlackRock	66,602,949	11.30
Aberdeen Standard Investments . .	40,547,291	6.88
Vanguard Group	22,173,966	3.76
Franklin Templeton	22,069,130	3.74
Kames Capital	19,415,786	3.29
Legal & General Investment Management	19,253,235	3.27
Schroders investment Management	18,077,786	3.07

Notes:

(1) Calculated by reference to the issued share capital of the Company as at the Latest Practicable Date.

7.2 Save as set out above, the Company is not aware of any other Notifiable Interests.

8. Related party transactions

8.1 Save as set out below, no related party transactions have been entered into by members of the Group between 1 January 2017 and the Latest Practicable Date.

The related party transactions for the purposes of the standards adopted according to Commission Regulation (EC) No. 1606/2002 which the Company entered into during the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 are included in this Circular through the incorporation by reference of the 2017 Annual Report and Accounts, the 2018 Annual Report and Accounts and the 2019 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2019 can be found on pages 94 to 123 (inclusive) and in note 8.7 on page 192 of the 2019 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2018 can be found on pages 87 to 113 (inclusive) and in note 7.9 on page 177 of the 2018 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2017 can be found on pages 101 to 127 (inclusive) and in note 7.8 on page 185 of the 2017 Annual Report and Accounts.

8.2 The Company entered the following related party transactions for the purposes of the standards adopted according to Commission Regulation (EC) No. 1606/2002 during the period from 1 January 2020 to the Latest Practicable Date:

(a) Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate:

	US\$M
Short-term employee benefits	3.7
Pension contributions	—
Share-based payments	2.9
	<u>6.6</u>

(b) *Subsidiary Undertakings*

The following table provides the total amount of transactions which have been entered into by the Company with its subsidiary undertakings:

	US\$M
Transactions during the period	
Amounts invoiced to subsidiaries	1.6
Amounts invoiced from subsidiaries	3.3
Finance income – dividends received	—
	US\$M
Balances as at the Latest Practicable Date	
Amounts owed by subsidiary undertakings	200.6
Amounts owed to subsidiary undertakings	<u>(271.1)</u>
	70.5

9. Material contracts

9.1 *The Continuing Group*

Other than the contracts set out below, the Sale and Purchase Agreement and the LUKOIL SPA (the principal terms of which are summarised in Part III of this Circular), no member of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) either: (i) within the two years immediately preceding the publication of this Circular which are, or may be, material to the Continuing Group; or (ii) which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is, or may be, material to the Continuing Group as at the date of this Circular.

9.1.1 In December 2018, Cairn completed the extension of the maturity of the Group's US\$575m reserves based lending facility to 2025, increasing the borrowing base to include the Nova development in Norway. Though the terms of the extended facility are consistent with that of the original, under IFRS 9 the extension is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability due to the extended period over which the facility is available. As at 31 August 2020, there was US\$100m drawn under the facility.

9.1.2 On 5 August 2019 Capricorn Norge, the Norwegian-incorporated wholly owned subsidiary of Cairn holding all of the Continuing Group's oil and gas assets located in Norway, entered into a farm-out agreement (the "**Nova Farm-Out Agreement**") with ONE-Dyas Norge AS to sell a 10% participating interest in Norwegian Petroleum Licence (PL) 418 and 418B (incorporating the Nova development offshore Norway for which first oil is targeted in 2021) and a 12.12% participating interest in Norwegian PL 378. Under the Nova Farm-Out Agreement, Capricorn Norge received a post-tax amount of US\$59,500,000 at Completion, together with interest accruing from the effective economic date of the transaction of 1 January 2019 and subject to a customary interim period adjustment in relation to costs incurred from the effective economic date.

Completion under the Nova Farm-Out Agreement occurred in Q4 2019. Completion was conditional on, amongst other things: the consent of the Norwegian Ministry of Petroleum

and Energy (“MPE”); submission of the required notification of the transaction to the Norwegian Ministry of Finance (“MoF”); the non-exercise of applicable pre-emption rights relating to the participating interests proposed to be transferred; and JV approval by the PL 378, PL 418 and PL 418B management committees, if required under the relevant joint operating agreements.

Capricorn Norge has also agreed under the Nova Farm-Out Agreement to:

- certain undertakings and obligations in relation to the conduct of the business relating to PL 378, PL 418 and PL 418B between signing and completion; and
- certain representations, warranties and indemnities customary for a transaction of its type.

The Nova Farm-Out Agreement is governed by Norwegian law, with the District Court of Stavanger having jurisdiction under the Norwegian Arbitration Act (Act No. 25/2004) over any controversy or dispute that may arise in connection with or as a result of the Nova Farm-Out Agreement and which cannot be resolved by mutual agreement.

9.1.3 On 26 November 2019, Capricorn Energy Limited, a member of the Continuing Group, entered into a share sale and purchase agreement (the “**Capricorn Norge SPA**”) with Solveig Gas Norway AS (“**Solveig**”) in respect of the sale of the entire issued share capital of Capricorn Norge. Under the Capricorn Norge SPA, Capricorn Energy Limited will receive a cash consideration of US\$100 million at completion, on a cash free/debt free basis at a financial effective date of 1 January 2020, subject to a net debt and working capital adjustment. In addition, interest accrued on the consideration payable under the Capricorn Norge SPA from 1 January 2020 until completion, calculated on the basis of the average of three month LIBOR (in relation to US\$ payments) or three month NIBOR (in relation to NOK payments).

Completion under the Capricorn Norge SPA occurred in February 2020. Completion was conditional upon, amongst other things, approval of the transaction by the MPE, submission of the required notification of the transaction to the MoF and completion under the Nova Farm-Out Agreement referred to in paragraph 9.1.2 above. If completion under the Capricorn Norge SPA did not occur by 1 July 2020 (or such later date as the parties agreed) either party was entitled to terminate the Capricorn Norge SPA by written notice to the other. Capricorn Energy Limited also agreed under the Capricorn Norge SPA to:

- certain undertakings and obligations in relation to the conduct of the business of Capricorn Norge AS between signing and completion;
- a “locked box” indemnity in relation to leakage before completion (meaning certain payments or other obligations made, authorised or agreed to be made by Capricorn Norge AS between 31 December 2019 and completion, unless identified in the Capricorn Norge SPA as permitted leakage);
- certain representations, warranties and indemnities customary for a transaction of its type.

The Capricorn Norge SPA is governed by, and construed in accordance with, Norwegian law, with the Norwegian courts having jurisdiction over any dispute, controversy or claim arising out of or in connection with the Capricorn Norge SPA.

9.2 *The Sale Interest*

Other than the Sale and Purchase Agreement and the LUKOIL SPA, no member of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) either: (i) within the two years immediately preceding the publication of this Circular which are, or may be, material to the Sale Interest; or (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Sale Interest as at the date of this Circular.

10. Litigation

10.1 *The Continuing Group*

Save as disclosed in paragraph 10.3 below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on the Continuing Group's financial position or profitability.

10.2 *The Sale Interest*

There are no governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on the financial position or profitability of the Sale Interest.

10.3 *Indian Income Tax Department and Arbitration under UK-India Bilateral Investment Treaty*

In January 2014 Cairn received notification from the Indian Income Tax Department (the "ITD").

In that notification, the ITD claimed to have identified unassessed taxable income resulting from certain intra-Group share transfers undertaken in 2006 (the "**2006 Transactions**"), such transactions having been undertaken in order to facilitate the initial public offering of CIL in 2007. The notification made reference to retrospective Indian tax legislation enacted in 2012, which the ITD was seeking to apply to the 2006 Transactions.

The assessment issued in February 2016 by the ITD of principal tax due on the 2006 Transactions is for INR 102 billion (currently US\$1.36 billion), plus applicable interest and penalties. On 9 March 2017, the Income Tax Appellate Tribunal, Delhi ("**ITAT**") issued an order in which it was held that CUHL should not be required to pay interest under certain sections of the Indian Income Tax Act, 1961, on the basis that the tax payable had "arisen because of retrospective amendment" and that CUHL "could not have visualized" such liability when it carried out the transfers in 2006. Interest is currently being charged on the principal at a rate of 12% per annum from February 2016, although this is subject to the ITD's Indian high court appeal that interest should be back dated to 2007 and therefore amounts to INR 188 billion (currently US\$2.51 billion). Penalties are currently assessed as 100% of the principal tax due, although this is subject to appeal by CUHL that penalties should not be charged. Cairn is contesting the tax proceedings in India.

In March 2015 Cairn filed a Notice of Dispute under the UK-India Bilateral Investment Treaty (the "**Treaty**") in order to protect its legal position and seek restitution of the value effectively seized by the ITD in and since January 2014. Cairn's principal claims are that the assurance of fair and equitable treatment and protections against expropriation afforded by the Treaty have been breached by the actions of the ITD, which is seeking to apply retrospective taxes to historical transactions already closely scrutinised and approved by the Government of India, and has attached and seized assets to try to enforce such taxation.

Cairn's plea is therefore that the effects of the tax assessment should be nullified and Cairn should receive recompense from India for the loss of value resulting from the 2014 attachment and subsequent sale of CUHL's shares in CIL and the withholding of the tax refund, which together total approximately INR 82.4 billion (currently US\$1.1 billion).

The Treaty proceedings formally commenced in January 2016 following agreement between Cairn and the Republic of India on the appointment of a panel of three international arbitrators under the terms of the Treaty. Cairn's statement of claim was submitted to the arbitral tribunal in June 2016 and the Republic of India submitted its statement of defence in February 2017. Final hearings were held in August and December 2018 and the tribunal's ruling is awaited. As announced by Cairn on 28 October 2019, and reiterated in the Company's full year results announced on 10 March 2020, the arbitral tribunal has indicated that, whilst it is not yet able to commit to a specific award release date, it expects to be in a position to issue the award in the summer of 2020. On 21 July 2020 Cairn announced a further update on the arbitral proceedings. That update stated that the arbitral tribunal had indicated that, whilst it has encountered some difficulties created by the COVID-19 pandemic, it did not expect significant delays and hoped to remain reasonably within the lead-time it had anticipated. Whilst it is not yet able to commit to a specific date for its ruling, it expects a "release of the Award after the end of the summer." Cairn continues to have a high level of confidence in the merits of its claims in the arbitration and is seeking full restitution for the Group's losses.

11. Working capital

The Company is of the opinion that, taking into account the net proceeds from the Transaction and loan facilities available to the Continuing Group, the Continuing Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this Circular.

12. Significant changes

12.1 a) *The Continuing Group*

Save as set out below, there has been no significant change in the financial position or the financial performance of the Continuing Group since 31 December 2019, being the date to which the last audited financial statements of the Group were prepared.

- Lower oil price environment in 2020 – reduced capital expenditure and impact of COVID-19 pandemic

The COVID-19 pandemic and the fall in global oil prices in the first half of this year has had a significant economic and market impact. Although oil prices have recovered somewhat from the lows seen in March and April 2020, prices remain materially below the levels at 31 December 2019. This has had a consequential negative impact on the financial performance of the Group since the year end and will be reflected in carrying values of the Group's assets. Impairments are expected to be recognised in the 30 June 2020 half year results for the Kraken field and an impairment has been recognised for the Sale Interest, as described in the paragraph directly below. In common with other companies in the upstream oil and gas sector, in response to COVID-19 and the volatile oil price environment, Cairn has sought to manage costs through reduction or deferral of non-essential capital and operating costs. In this regard reference is made to the section headed "Review of assets and 2020 capital expenditure programme" in paragraph 3 (Trend Information) above which references reductions and deferrals for the 2020 capital expenditure programmes in response to the COVID-19 pandemic for producing assets and exploration.

- Impairment of Senegal Assets

Following the Group's entry into the LUKOIL SPA, under which consideration of up to US\$400m is payable for the Sale Interest, on 27 July 2020 an impairment loss of US\$207m was recognised, after taking into account the initial cash consideration under the LUKOIL SPA of US\$300m less working capital balances and costs of disposal and the fair value of further contingent consideration receivable.

- Mexico drilling update

As stated under the heading "Mexico Drilling Update" in paragraph 3 (Trend Information) above, the Continuing Group announced on 5 May 2020 the completion of drilling operations on the Ehecatl-1 exploration well. The well did not find reservoir hydrocarbons and was permanently plugged and abandoned. As at 30 June 2020 the Continuing Group had written off US\$17.0 million in respect of the Continuing Group's net working interest share (30%) of the costs of the well.

b) *The Sale Interest*

Save as set out below, there has been no significant change in the financial position or the financial performance of the Sale Interest since 31 December 2019, being the date to which the unaudited financial information on Sale Interest presented in Part IV (Financial Information Relating to the Sale Interest) of this Circular was prepared.

- Operational update – 2020 reduced capital expenditure and impact of COVID-19 pandemic

The COVID-19 pandemic has had a significant economic and market impact, with consequent effects on the Sale Interest. In this regard reference is made to the section headed "Review of assets and 2020 capital expenditure programme" in paragraph 3 (Trend Information) above, which references reductions and deferrals for the 2020 capital expenditure programmes in response to the COVID-19 pandemic for development assets and, in particular, the Sangomar Development Project.

- FAR default under RSSD JOA

The default by FAR Senegal under the RSSD JOA described under the heading “FAR Default under RSSD JOA” in paragraph 3 (Trend Information) above has had a significant effect on the Sale Interest. Under the RSSD JOA, while FAR Senegal remains in default, Capricorn Senegal is required to pay a share of the amounts due but unpaid by FAR Senegal reflecting its net participating interest as a proportion of the total participating interests held by all of the non-defaulting parties to the RSSD JOA. Assuming Completion on 30 September 2020, and the continuing default by FAR Senegal on that date, it is estimated that Capricorn Senegal will have been required to contribute approximately a further US\$16 million in respect of its net share of the additional funding requirement arising from the FAR Senegal default.

- Exercise of Participation Option by Petrosen

As stated in paragraph 7 (Woodside Pre-Emption and Petrosen Participation Option) of Part I (Letter from the Chairman of Cairn Energy PLC) of this Circular, Petrosen exercised the Participation Option in early August 2020 by written notice to the other parties to the RSSD JOA. As a result of the exercise by Petrosen of the Participation Option, Capricorn Senegal’s participating interest in the Sangomar Exploitation Area has been reduced from 40% to approximately 36.44% with effect from 8 January 2020, the date of award of the Sangomar exploitation authorisation. The Sale Interest, so far as it relates to the Sangomar Exploitation Area, was correspondingly reduced.

13. Consents

- 13.1 Rothschild & Co has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.
- 13.2 Jefferies International Limited has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.
- 13.3 PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in Section 2 of Part V (Unaudited Pro Forma Financial Information on the Group) of this Circular of its report on the unaudited pro forma statement of net assets of the Group in the form and context in which it is included.

14. Documents available for inspection

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 50 Lothian Road, Edinburgh EH3 9BY, United Kingdom up to and including the date of the General Meeting:

- (a) the Sale and Purchase Agreement;
- (b) the LUKOIL SPA;
- (c) the memorandum and articles of association of the Company;
- (d) copies of the 2017 Annual Report and Accounts, the 2018 Annual Report and Accounts and the 2019 Annual Report and Accounts;
- (e) this Circular and the Form of Proxy; and
- (f) the written consents referred to in paragraph 13 of this Part VI.

The above documentation (other than documents (a) and (b)) will also be available on the Company’s website at www.cairnenergy.com, and also for inspection on the date and at the place of the General Meeting for at least 15 minutes before the General Meeting is held until its conclusion.

PART VII

GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this Circular. Grammatical variations of these terms should be interpreted in the same way.

2D seismic	seismic data consisting of adjacent lines acquired individually, as opposed to the multiple closely spaced lines acquired together that constitute 3D seismic data
3D seismic	seismic data acquired as multiple, closely spaced traverses, typically providing a more detailed and accurate image of the subsurface than 2D seismic data
appraisal	the phase of petroleum operations immediately following a successful discovery to further evaluate the discovery, such as seismic acquisition, geological studies, and drilling additional wells to reduce technical uncertainties and commercial contingencies
appraisal well	a well drilled as part of the appraisal of a discovery or field
bbl	barrel
Bcf	billion cubic feet
block	term commonly used to describe areas over which there is a petroleum or production licence or PSC
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
condensate	a mixture of hydrocarbons (mainly pentanes and heavier) that exist in the gaseous phase at original temperature and pressure of the reservoir but, when produced, are in the liquid phase at surface pressure and temperature conditions (when temperature or pressure is reduced relative to the reservoir)
contingent resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development project(s), but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingent resources have an associated chance of development. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status
cost recovery	a mechanism determined in a PSC by which the contractor parties to the PSC are enabled to recover present and past costs

discovery	an exploration well which has encountered oil and gas for the first time in a structure
exploration	the phase of operations which covers the search or prospecting for undiscovered petroleum using various techniques, such as seismic surveys, geological studies and exploratory drilling
exploration drilling	drilling carried out to determine whether oil and gas are present in a particular area or structure
exploration well	a well in an unproven area or prospect, sometimes also known as a “wildcat well”
farm-in	a term used to describe when an oil and gas company buys a portion of the acreage in a block from another company, usually in return for consideration and for taking on a portion of the selling company’s work commitments
farm-out	a term used to describe when a company sells a portion of the acreage in a block to another company, usually in return for consideration and for the buying company taking on a portion of the selling company’s work commitments
FID	final investment decision, a term used in the oil and gas industry to describe the decision to commence the development of a project, at which point material contract awards can commence, and each partner in the project is effectively committed to pay its share in accordance with its participating interest
field	a geographical area under which either a single reservoir or multiple reservoirs lie, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
FPSO	a floating production, storage and offloading unit, which is a vessel used for processing and storing hydrocarbons
hydrocarbon	a chemical compound consisting wholly of hydrogen and carbon molecules, which may exist as a solid, a liquid or a gas (for example, oil, gas or condensate)
infrastructure	oil and gas processing, transportation and off-take facilities
JOA	a joint operating agreement for the purpose of governing the relationship between the parties in relation to joint exploration, production and operation
km	kilometre(s) (and km² means square kilometre(s))
lead	a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a prospect
m	metre
migration	the movement of hydrocarbons from source rocks into reservoir rocks, which can be local or can occur along distances of hundreds of kilometres in large sedimentary basins, and is critical to a viable petroleum system

MMbbl	million barrels
natural gas	gas, predominantly methane, occurring naturally, and often found in association with crude petroleum
offshore	that geographic area that lies seaward of the coastline
oil	a mixture of liquid hydrocarbons of different molecular weights
oil field	the mapped distribution of a proven oil-bearing reservoir or reservoirs
operator	the company that has legal authority to drill wells and undertake production of petroleum, often acting on behalf of a consortium or JV
P10	in the context of quoted resource or reserve volumes, the probability of 10% that the quoted value would be larger than the reported and considered high value
P50	in the context of quoted resource or reserve volumes, the probability of 50% that the quoted value would be larger than the reported and considered best value
P90	in the context of quoted resource or reserve volumes, the probability of 90% that the quoted value would be larger than the reported and considered low value
participating interest	the proportion of exploration and production costs each party will bear and the proportion of production each party will receive, typically set out in a JOA
petroleum	a generic name for oil and gas, including crude oil, natural gas liquids, natural gas, condensate and their products
petroleum system	geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal
play	a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation to define specific leads or prospects
PRMS	the SPE 2018 Petroleum Resources Management System (as defined by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers)
prospect	an identified trap that may contain hydrocarbons. A potential hydrocarbon accumulation may be described as a lead or prospect depending on the degree of certainty in that accumulation. A prospect generally is mature enough to be considered for drilling.
prospective resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of geologic discovery and a chance of development. Prospective resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity

PSC	production sharing agreement or contract, being a contract between a contractor and a host government in which the contractor typically bears the risk and costs for exploration, development, and production and in return, if exploration is successful, the contractor is given the opportunity to recover the incurred investment from production, subject to specific limits and terms
reserves	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions and satisfying four criteria: discovered, recoverable, commercial and remaining (as of the evaluation's effective date) based on the development project(s) applied
reservoir	a subsurface rock formation that contains an individual and separate natural accumulation of petroleum that is confined by impermeable barriers, pressure systems, or fluid regimes (conventional reservoirs), or is confined by hydraulic fracture barriers or fluid regimes (unconventional reservoirs)
resources	contingent and prospective resources, unless otherwise specified
seal	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir, a critical component of a complete petroleum system
seismic survey	a method by which an image of the earth's sub-surface is created through the generation of shockwaves and analysis of their reflection from rock strata
SPE	The Society of Petroleum Engineers
STOIIP	stock tank oil initially in place
trap	a configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate. Traps are described as structural traps (in deformed strata such as folds and faults) or stratigraphic traps (in areas where rock types change, such as unconformities, pinch outs and reefs). A trap is an essential component of a petroleum system
TRR	technical recoverable resource
WI	working interest

PART VIII

DEFINITIONS

The following definitions apply throughout this Circular, unless stated otherwise:

2017 Annual Report and Accounts	Cairn's annual report and accounts for the year ended 31 December 2017
2017 LTIP	the Cairn Energy PLC Long Term Incentive Plan (2017)
2018 Annual Report and Accounts	Cairn's annual report and accounts for the year ended 31 December 2018
2019 Annual Report and Accounts	Cairn's annual report and accounts for the year ended 31 December 2019
AGM	annual general meeting of the Company
Agreed Rate	the London Interbank Offer Rate (LIBOR) for the currency in question for one month as published by ICE Benchmark Administration (or any subsequent administrator of that rate) for the first day of the relevant period in respect of which interest is to be calculated plus 1.5% per annum, provided that: (a) if the first day of the relevant period is not a Business Day, then the rate to be used is that for the most recent Business Day preceding the first day of the relevant period; and (b) for any period longer than one month, the Agreed Rate shall be reset monthly on the Business Day in each subsequent calendar month most closely corresponding to the first day of the relevant period
Articles of Association	the articles of association of the Company from time to time
Average Brent Price	the average Brent price over the 180 days after First Oil at Sangomar as determined by reference to the mid-prices of Dated Brent benchmark in US\$/bbl as published by S&P Global Platts under the code "PCAAS00" for each of the publication days during that period
BCEAO	La Banque Centrale des États de l'Afrique de l'Ouest, the Central Bank of West African States
Board	the board of directors of the Company, comprising at the date of this Circular the Directors whose names appear in Part VI (Additional Information) of this Circular
BST	British Summer Time, being the civil time in the United Kingdom equivalent to UTC+01:00
Business Day	a day, other than a Saturday or Sunday, on which banks are generally open for business in London or, where the term Business Day is used in Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) of this Circular, a day, other than a Saturday or a Sunday, on which banks are open for normal banking business days in London, Perth and New York (or, in the case of the LUKOIL SPA, London, Moscow and New York)

Capricorn Senegal	Capricorn Senegal Limited, incorporated in Scotland with company number SC444808, an indirect wholly owned subsidiary of the Company
CCSS	the CREST courier and sorting service operated by Euroclear to facilitate, <i>inter alia</i> , the deposit and withdrawal of securities
Circular	this document, being a <i>class 1 circular</i> as such term is defined in the Listing Rules
Companies Act 1985	the Companies Act 1985 (as amended)
Companies Act 2006	the Companies Act 2006 (as amended)
Company or Cairn	Cairn Energy PLC
Completion	completion of the Transaction in accordance with the Sale and Purchase Agreement or, as the case may be, the LUKOIL SPA
Conditions	the conditions to Completion under the Sale and Purchase Agreement, including those set out in paragraph 2 of Part III (Principal Terms of the Sale and Purchase Agreement and the LUKOIL SPA) of this Circular
Continuing Group	the Group following Completion
CREST	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title of shares in uncertified form operated by Euroclear
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
CREST member	a person who has been admitted to CREST as a system member (as defined in the CREST Regulations)
CREST participant	a person who is, in relation to CREST, a system (as defined in the CREST Regulations)
CREST Proxy Instruction	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual
CREST Regulations	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
Directors	the directors of the Company
DTR or DTRs	the Disclosure Guidance and Transparency Rules issued and maintained by the FCA under 73A of FSMA
Encumbrance	any mortgage, charge, pledge, lien, assignment, option, restriction, claim, over-riding royalty interest or net profit arrangement, right of pre-emption, right of first refusal, third party right or interest, other encumbrance or security interest of any kind, or other type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
Equiniti	Equiniti Limited
Euroclear	Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST

Executive Directors	Simon Thomson and James Smith
exploitation authorisation	an authorisation to exploit and produce petroleum awarded or issued under the Senegalese Petroleum Code (Law 2019-03)
FAN	the FAN offshore exploration or evaluation area within the RSSD Contract Area
FAR	FAR Limited, incorporated in Australia with company number ACN 009 117 293
FAR Senegal	FAR Senegal RSSD SA, a wholly owned subsidiary of FAR
FCA	the Financial Conduct Authority
First Oil	the occurrence of the first continuous 72 hour period of production from Sangomar during which at least 30,000 barrels of crude oil, or liquids containing predominantly crude oil, is produced through the FPSO where this is retained for future sale on the international market or, as applicable, for future supply to the Senegalese domestic market under the RSSD PSC
Form of Proxy	the form of proxy accompanying this Circular for use by Shareholders in relation to the General Meeting
FSMA	the Financial Services and Markets Act 2000
General Meeting	the general meeting of the Company (or any adjournment thereof) to be held at 12.00 noon (BST) on 23 September 2020 at 4th Floor, Wellington House, 125 Strand, London WC2R 0AP, notice of which is set out at the end of this Circular
Group	the Company, its subsidiary undertakings and any other body corporate, legal entity, partnership or unincorporated joint venture in which the Company or any of its subsidiary undertakings holds a participating interest (as such term is defined by section 1162 of the Companies Act 2006) from time to time and references to a “member of the Group” shall be construed accordingly
H1	the first half of a calendar year, being January to June (inclusive)
H2	the second half of a calendar year, being July to December (inclusive)
JV	joint venture
Latest Practicable Date	3 September 2020, being the latest practicable date prior to the publication of this Circular for the purposes of ascertaining certain information contained in this Circular
LIBOR	the London Inter-Bank Offered Rate administered by ICE Benchmark Administration Limited giving an average rate at which a leading bank can obtain unsecured funding for a given period in a given currency in the London market
Listing Rules	the listing rules issued and maintained by the FCA under section 73A of FSMA
London Stock Exchange	London Stock Exchange plc or its successor

LUKOIL	LUKOIL Upstream Senegal B.V., incorporated under the laws of the Netherlands and registered with the Dutch Commercial Register under number 78605636, an indirect subsidiary of The PJSC LUKOIL Oil Company
LUKOIL SPA	the agreement for the sale and purchase of the Sale Interest dated 24 July 2020 between Capricorn Senegal, LUKOIL and Cairn, in respect of which Woodside exercised its Pre-Emption Rights on 17 August 2020
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
Material Adverse Change	any event, circumstance or occurrence that is or could reasonably be expected to be materially adverse to the RSSD PSC or the Sale Interest, excluding anything attributable to (a) changes in global oil and gas commodity prices, (b) any general trend affecting the oil and gas industry, (c) changes in the global economy generally or in global financial, credit or capital markets generally, (d) any matter fairly and clearly disclosed to Woodside in accordance with the Sale and Purchase Agreement or, as the case may be, to LUKOIL in accordance with the LUKOIL SPA or (e) any matter approved in writing by Woodside or, as the case may be, by LUKOIL
Minister	the Minister of Petroleum and Energy of the Republic of Senegal (or such other minister, person or branch of government of the Republic of Senegal designated under the RSSD PSC as “Minister”) or his qualified representative
Ministry	the Ministry of Petroleum and Energy of the Republic of Senegal (le Ministère du Pétrole et des Energies du Sénégal), also known as MPE
NAV	net asset value
NIBOR	the Norwegian Interbank Offered Rate administered by Norske Finansielle Referanser (NoRe)
Non-Executive Directors	Ian Tyler, Keith Lough, Peter Kallos, Nicoletta Giadrossi, Alison Wood, Catherine Krajicek and Erik Daugbjerg
Notice of General Meeting	the notice of the General Meeting set out at the end of this Circular
Official List	the Official List of the FCA
Operating Committee	the operating committee constituted under the RSSD JOA to provide for the overall supervision and direction of joint operations and activities carried out by the operator under the RSSD JOA
Operational Contracts	means: <ul style="list-style-type: none"> (a) any document, agreement, contract, undertaking or assignment entered into by the operator pursuant to the authority conferred upon the operator by the RSSD JOA; and (b) any other agreement entered into after the date of the Sale and Purchase Agreement or, as the case may be, the LUKOIL SPA by or on behalf of the parties to the RSSD JOA in connection with the Sangomar Development

Participation Option	has the meaning given to it in paragraph 7 (Woodside Pre-Emption and Petrosen Participation Option) of Part I (Letter from the Chairman of Cairn Energy PLC) of this Circular
Petrosen	la Société des Pétroles du Sénégal, the national oil company of Senegal and a co-venturer of Capricorn Senegal under the RSSD JOA
Pre-Emption Rights	the rights of pre-emption held by the parties to the RSSD JOA in respect of any proposed direct assignment or transfer of a participating interest in the RSSD JOA and RSSD PSC to a non-affiliated third party, as more particularly described in paragraph 7 (Woodside Pre-Emption and Petrosen Participation Option) of Part I (Letter from the Chairman of Cairn Energy PLC) of this Circular
Production Condition	the occurrence of 30 days of continuous production from Sangomar following First Oil, save that any temporary shut-ins (a) due to planned maintenance or (b) as a result of an emergency, shall be disregarded for the purpose of determining whether any such 30 day period has occurred
Remuneration Committee	the remuneration committee of the Board from time to time
Resolution	the ordinary resolution to approve the Transaction set out in the Notice of General Meeting
RSSD	Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore
RSSD Contract Area	the “Contract Area” as defined in the RSSD PSC
RSSD JOA	the joint operating agreement dated 28 January 2005 in relation to the RSSD JOA, originally between Petrosen and Senegal Hunt Oil Company, as the same has been and may be amended or novated from time to time
RSSD PSC	the Contract for Exploration and Hydrocarbon Production Sharing dated 15 July 2004 originally between the Republic of Senegal, Senegal Hunt Oil Company and Petrosen, as the same has been and may be amended or novated from time to time
Sale and Purchase Agreement	the agreement for the sale and purchase of the Sale Interest dated 4 September 2020 between Capricorn Senegal, Woodside and Cairn
Sale Interest	Capricorn Senegal's undivided legal and beneficial interest in the RSSD PSC and a corresponding proportion of the legal and beneficial right, title and interest in and under the RSSD JOA, being an approximately 36.44% participating interest in the Sangomar Exploitation Area (following exercise by Petrosen of the Participation Option) and a 40% participating interest in the remaining RSSD Contract Area outside the Sangomar Exploitation Area
Sangomar	the Sangomar oil and gas field located in the RSSD Contract Area, formerly known as the SNE discovery or field
Sangomar Development	the development of Sangomar under the Sangomar Exploitation Plan approved by the Minister

Sangomar Exploitation Area	the area over which the exploitation authorisation for the Sangomar Development was awarded by the Government of Senegal, as described in more detail under the heading “Exploitation Area” in paragraph 4 (Information on the RSSD Contract Area) of Part I (Letter from the Chairman of Cairn Energy PLC) of this Circular
Sangomar Exploitation Plan	the development and exploitation plan for Sangomar prepared under Article 9.5 of the RSSD PSC, submitted in final form to the Minister on 2 December 2019 and approved on 8 January 2020
Sangomar North/SPICA	the Sangomar North and SPICA offshore exploration or evaluation area within the RSSD Contract Area
Shareholders	the holders of the Shares
Shares	the ordinary shares of 231/169 pence each in the capital of the Company
SIP	the Cairn Energy PLC 2010 Share Incentive Plan
SPICA	the prospect of the same name within Sangomar North/SPICA, more particularly described demarcated as such in the corresponding application for extension of the exploration period
Transaction	the proposed sale and disposal of the Sale Interest to (a) Woodside under the Sale and Purchase Agreement or, failing which, (b) LUKOIL under the LUKOIL SPA
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
United States or US	The United States of America, its territories and possessions, any State of the United States and the District of Columbia
Woodside	Woodside Energy (Senegal) B.V., incorporated under the laws of the Netherlands and registered with the Dutch Commercial Register under number 54153328, a subsidiary of Woodside Petroleum and the current operator under the RSSD JOA
Woodside Energy	Woodside Energy Ltd, incorporated in Australia with company number ACN 005 482 986

Cairn Energy PLC

Incorporated in Scotland with registered number SC226712

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Cairn Energy PLC (the “**Company**”) will be held at 4th Floor, Wellington House, 125 Strand, London WC2R 0AP on 23 September 2020 at 12.00 noon (BST) to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. Capitalised terms not defined below are references to those terms as defined in the circular to shareholders dated 7 September 2020.

Ordinary resolution

THAT the sale and disposal of the Sale Interest to:

- (a) Woodside under and on the terms set out in the Sale and Purchase Agreement; or, failing which,
- (b) LUKOIL under the LUKOIL SPA

be and is hereby approved and the Directors (or a committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Sale and Purchase Agreement or the LUKOIL SPA, as the case may be (provided that any such waivers, amendments, variations or extensions are not of a material nature), and to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Transaction and any matters incidental to the Transaction.

By order of the Board,

Duncan Wood
Secretary

7 September 2020

Registered office:

50 Lothian Road, Edinburgh EH3 9BY, United Kingdom

Shareholder Notes:

1. **Please note that, in accordance with the new laws and associated guidance introduced by the UK government in response to the current COVID-19 pandemic, Shareholders or their appointed proxies (unless the proxy is the chairman of the General Meeting) will not be allowed to attend the General Meeting. All of the notes to this notice of General Meeting and, in particular, any reference to attendance at the General Meeting, whether by a Shareholder, its proxy or its corporate representative, shall be construed accordingly.** A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company, but must attend the General Meeting to represent you. A form of proxy (the “**Form of Proxy**”) accompanies this Notice of General Meeting and must be lodged with the Company at the office of its registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (the “**Registrars**”) or received via the Sharevote service (see Note 2 below) or lodged using the CREST proxy voting service (see Note 3 below) not less than 48 hours before the time appointed for the General Meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day). The appointment of a proxy or submission of an electronic voting direction will not preclude a member entitled to attend and vote at the General Meeting from doing so if he or she wishes. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. If you wish to change or revoke your proxy appointment, please contact the Registrars on 0371 384 2660 (for calls from within the United Kingdom) and +44 (0) 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (both BST) on any Business Day. Calls to +44 (0) 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

2. Members may register their proxy appointments or voting directions electronically via the www.sharevote.co.uk website, where full details of the procedure are given. Members will need the Voting ID, Task ID and Shareholder Reference Number set out on the Form of Proxy which accompanies this Notice of General Meeting. Members are advised to read the terms and conditions of use carefully. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged. The Company will not accept any communication that is found to contain a computer virus.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 23 September 2020 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrars (ID RA19) by no later than 12.00 noon (BST) on 21 September 2020, or, in the event that the General Meeting is adjourned, not less than 48 hours before the time appointed for the adjourned General Meeting (excluding any part of any day that is not a working day). No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST core processor) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings, which can be viewed at www.euroclear.com. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share. To appoint more than one proxy, please contact the Registrars on 0371 384 2660 (for calls from within the United Kingdom) and +44 (0) 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (both BST) on any Business Day. Please note that calls to these numbers may be monitored and recorded. Calls to +44 (0) 121 415 7047 from outside the United Kingdom are charged at applicable international rates.
7. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (“**Nominated Persons**”). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

8. Any corporation which is a shareholder can appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same Shares.
9. To be entitled to vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.30 p.m. (BST) on 21 September 2020 (or, in the event of any adjournment, on the date which is two days (excluding any part of a day that is not a working day) before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the meeting.
10. As at 5.00 p.m (BST) on 3 September 2020 (being the latest practicable time before printing this Notice of General Meeting), the Company's issued share capital comprised 589,552,585 ordinary shares of 231/169 pence each. Each such ordinary share carries the right to one vote at a general meeting of the Company. Therefore, the total number of voting rights in the Company as at 5.00 p.m. (BST) on 3 September 2020 was 589,552,585. It is proposed that all votes on the Resolution at the General Meeting will be taken by way of a poll rather than on a show of hands. The Company considers that a poll is more representative of Shareholders' voting intentions because (a) votes are counted according to the number of shares held and all votes tendered are taken into account, and (b) Shareholders will not be allowed to attend the General Meeting in person as a result of the laws and associated guidance introduced in response to the current COVID-19 pandemic. The results of the voting will be announced through a Regulatory Information Service and will be published on our website www.cairnenergy.com as soon as reasonably practicable thereafter.
11. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of General Meeting will be available on the Company's website at www.cairnenergy.com.
12. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the General Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered or if to do so would involve the disclosure of confidential information. In view of the intention to hold the General Meeting as a closed meeting at which Shareholders are not permitted to attend in person, the Company will offer Shareholders the facility to ask questions before the General Meeting by email to IR.Mailbox@cairnenergy.com. The board of directors of the Company will endeavour to answer key themes of these questions on the Company's website as soon as is practical.
13. Copies of the following documents may be inspected at the registered office of the Company during normal business hours, Monday to Friday (public holidays excepted) up to and including the day of the General Meeting, and at the venue for the General Meeting from 15 minutes before the time fixed for the General Meeting until the end of the General Meeting:
 - the current memorandum and articles of association of the Company;
 - the Sale and Purchase Agreement;
 - the LUKOIL SPA;
 - the Circular (including this Notice of General Meeting) and the Form of Proxy; and
 - copies of the 2017 Annual Report and Accounts, the 2018 Annual Report and Accounts and the 2019 Annual Report and Accounts.
14. A member may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Chairman's letter and the Form of Proxy), to communicate with the Company for any purpose other than those expressly stated.

