

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 have sold or otherwise transferred all of your shares in Cairn Energy PLC, you should pass this document, the accompanying form of proxy and the Annual Report and Accounts of Cairn Energy PLC for the financial year ended 31 December 2011 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.



CAIRN ENERGY PLC

(incorporated in Scotland with Registered number SC226712)

**Notice of Annual General Meeting
and
Proposed renewal of authority to dispose of or reduce the Group's residual interest in Cairn India**

This document should be read as a whole and in conjunction with the accompanying Form of Proxy. Your attention is drawn to the letter from the Chairman of Cairn which is set out in Part I of this document recommending, on behalf of the Directors, that you vote in favour of the resolutions to be proposed at the Annual General Meeting referred to below.

Notice of the 2012 Annual General Meeting of Cairn to be held in the Sir Walter Scott Suite of the Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ at 12.00 noon (UK time) on Thursday, 17 May 2012, is set out at the end of this document.

Enclosed with this document is a Form of Proxy for use in respect of the Annual General Meeting. Whether or not you intend to be present at the Annual 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, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 12.00 noon (UK time) on Tuesday, 15 May 2012. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 12.00 noon (UK time) on Tuesday, 15 May 2012 (further information regarding the use of this facility is set out in the notes to the Notice of Annual General Meeting). If you hold your Ordinary 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 (UK time) on Tuesday, 15 May 2012. Completion and return of a Form of Proxy or a CREST Proxy Instruction or submission of an electronic proxy appointment or voting direction will not prevent Shareholders from attending and voting in person at the Annual General Meeting should they so wish.

Rothschild is acting as sponsor and financial adviser to Cairn and is acting for no one else in connection with the proposed renewal of the Residual Interest Disposal Authority and will not be responsible to anyone other than Cairn for providing the protections afforded to customers of Rothschild nor for providing advice in connection with proposed renewal of the Residual Interest Disposal Authority or the contents of this document or any other matter referred to herein.

Please read the whole of this document. In particular, your attention is drawn to the risk factors set out in Part II of this document. A summary of the action to be taken by Shareholders in relation to the Annual General Meeting is set out in paragraph 7 of Part I of this document and in the accompanying Notice of Annual General Meeting.

This document is a circular relating to the Annual General Meeting and the proposed renewal of the Residual Interest Disposal Authority which has been prepared in accordance with the Listing Rules made under section 73A of FSMA.

Forward-looking statements

This document contains (or may contain) certain forward-looking statements with respect to certain of Cairn's plans and its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. Cairn cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. Examples of forward-looking statements include statements regarding or which make assumptions in respect of future events. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of continued volatility in credit markets, market-related risks such as changes in the price of oil or changes in interest rates and foreign exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the success of future acquisitions and other strategic transactions and the impact of competition. A number of these factors are beyond Cairn's control. As a result, Cairn's actual future results may differ materially from the plans, goals and expectations set forth in Cairn's forward-looking statements. Any forward-looking statements made in this document by or on behalf of Cairn speak only as of the date they are made. Except as required by any applicable laws, the Listing Rules, the Disclosure and Transparency Rules or other regulations, Cairn expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in Cairn's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Note regarding presentation of currencies

All references in this document to "pounds sterling" or "£" are to the lawful currency of the United Kingdom, all references to "US dollars", "US\$" and "\$" are to the lawful currency of the United States and all references to "Rupees", "Rs" and "INR" are to the lawful currency of India.

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HELPLINE

Questions of a factual nature relating to the resolutions to be proposed at the Annual General Meeting may be directed to the Company's registrars, Equiniti, using the telephone helpline number 0871 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. (London time) on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to 0871 384 2660 are charged at 8 pence per minute from a BT landline. Other service providers' costs may vary. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

This helpline will not be able to provide advice on the merits of the resolutions to be proposed at the Annual General Meeting or the Residual Interest Disposal Authority, or give personal, legal, financial or tax advice.

PART I

LETTER FROM THE CHAIRMAN OF CAIRN ENERGY PLC

CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

Sir Bill Gammell (Non-Executive Chairman)
Todd Hunt (Non-Executive Director)
Iain McLaren (Non-Executive Director)
Dr James Buckee (Non-Executive Director)
Alexander Berger (Non-Executive Director)
Jackie Sheppard (Non-Executive Director)
Simon Thomson (Chief Executive)
Dr Mike Watts (Deputy Chief Executive)
Jann Brown (Managing Director and Chief Financial Officer)

Registered and Head Office:
50 Lothian Road
Edinburgh
EH3 9BY

16 April 2012

To Shareholders and, for information only, to participants in the Cairn Share Schemes

Dear Shareholder

Notice of Annual General Meeting and proposed renewal of authority to dispose of or reduce the Group's residual interest in Cairn India

1. Introduction

I am pleased to invite you to the Company's Annual General Meeting which will be held in the Sir Walter Scott Suite of the Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ at 12.00 noon (UK time) on Thursday, 17 May 2012. Enclosed with this letter are the annual report and accounts of the Company for the year ended 31 December 2011 ("**2011 Annual Report and Accounts**") and a Form of Proxy for use at the Annual General Meeting.

The business to be conducted at the Annual General Meeting is set out in the Notice of Annual General Meeting at the end of this document ("**the Notice**"). You will be asked to consider and vote on the resolutions set out in the Notice. One of the resolutions seeks approval of the renewal of the existing authority (granted at the general meeting of the Company held on 30 January 2012) to dispose of all or part of the Group's residual interest in Cairn India. Due to the value of Cairn's residual interest in Cairn India, the renewal of such authority requires shareholder approval and the inclusion in this document of more information than we would ordinarily include in our Annual General Meeting circular.

Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter.

2. Background and reasons for seeking to renew the authority to dispose of or reduce the Group's residual interest in Cairn India

The Company's strategy has always been to focus on exploration, appraisal and development opportunities where the Board believes there is a strategic fit with the Group's ongoing goal to add and, where appropriate, realise value for Shareholders. The Company's residual interest of approximately 22 per cent. of Cairn India represents a substantial proportion of the Group's assets and therefore, due to its size, the sale of any material part of the residual interest currently requires shareholder approval under the Listing Rules.

As noted above, at the general meeting of the Company held on 30 January 2012, Shareholders authorised the Board to dispose of all or part of this residual interest. The terms of this authority were set out in the Company's circular to Shareholders dated 10 January 2012. The UK Listing Authority agreed that the Residual Interest Disposal Authority may be granted for a maximum period of 12 months from the date of approval by Shareholders, and therefore, unless renewed, that authority will expire on 30 January 2013, which is likely to be before the Company's annual general meeting in 2013.

As the shares of Cairn India are listed and freely traded on the Indian Stock Exchanges, the Board continues to believe that potential purchasers will expect to be able to purchase Cairn India shares at the prevailing market

price on the basis of normal market terms. Accordingly, potential purchasers of Cairn India shares are unlikely to be willing to enter into any agreement to purchase Cairn India shares which is conditional on Shareholder approval, given the readily available alternative of making market purchases without such a condition.

Your Board is therefore seeking to renew the authority at the Annual General Meeting on the same terms as the existing authority. Such a renewal, if approved, would continue to provide your Board with the necessary flexibility, if it so chooses, to dispose of a part, and up to all of, the residual interest in Cairn India in a way which delivers best value for Shareholders. The purpose of any such sales would be to invest the proceeds elsewhere in the Company's portfolio and in other exploration, appraisal and development opportunities that it identifies in accordance with its stated strategy.

3. Terms of Residual Interest Disposal Authority

The Board believes that, in order to obtain the best terms when disposing of all or part of its residual shareholding in Cairn India, it needs to be able to sell or agree to sell those shares on normal market terms without having to obtain prior approval from Shareholders. The Board is therefore seeking to renew the existing authority from Shareholders for the Company to be able to sell its residual interest in Cairn India at or as close as reasonably possible to the prevailing market price if and when the Company considers it appropriate to make such disposals. Shareholder approval is being sought to make disposals via on-market transactions. Disposals may be executed via bought deal block-trades where an underwriting bank will assume the risk of disposing of the relevant interest efficiently. Larger disposals may be executed via accelerated book build offerings where a bank will use "best efforts" to complete a sale as agent. However the risk of completing the disposal will remain with Cairn.

The Company only intends to utilise the Residual Interest Disposal Authority where it believes that a sale is in the best interests of Shareholders as a whole and in the meantime the Company will continue to benefit from the growth and success of the discoveries in Rajasthan and elsewhere through the retained interest in Cairn India. Unless renewed, the Residual Interest Disposal Authority will expire on the earlier of 30 June 2013 (the last date on which the Company's annual general meeting for 2013 could be held) or at the end of the Company's annual general meeting for 2013 (prior to that date the Company will assess the necessity and desirability of renewing the authority). Any disposal outside of the scope of the Residual Interest Disposal Authority will remain subject to the requirements for significant transactions under Listing Rule 10.

4. Information on Cairn India and the residual interest

Cairn India is listed on the Indian Stock Exchanges and currently has a market capitalisation in excess of US\$12.5 billion based on an exchange rate of US\$1: INR51.589. Cairn India is primarily engaged in the business of oil and gas exploration, production and transportation. It is based in India and has a strong institutional shareholder base both within India and internationally.

Cairn India has interests in 10 blocks in India and Sri Lanka, including:

- a 70 per cent. operated working interest in three contiguous development areas totalling 3,111 km² in Rajasthan. The main development area (1,859 km²) includes the Mangala, Aishwariya, Raageshwari and Saraswati fields. Further development areas comprise the Bhagyam and Shakti fields (430 km²) and the Kaameshwari West development area (822 km²). Current production is approximately 125,000 barrels a day from the Mangala field via the 590 km heated export pipeline. ONGC is Cairn India's joint venture partner in Rajasthan with a 30 per cent. participating interest;
- a 22.5 per cent. operated working interest in producing fields within the Ravva Block, on the east coast of India. Cairn India's operations in this area are centred around the Ravva oil and gas field in the Krishna-Godavari Basin. Developed in partnership with ONGC, Videocon and Ravva Oil, Cairn India became the operator in 1996, working under a PSC that runs until 2019. Crude oil and natural gas production from Ravva commenced in 1993;
- a 40 per cent. operated working interest in Block CB/OS-2 in the Cambay Basin, on the west coast of India. Cairn India commenced gas production from the Lakshmi gas field in 2002, with gas production from Gauri commencing in 2004. Production of commingled crude oil from Gauri commenced in 2005; and
- equity interests in seven blocks within India and Sri Lanka where there is currently no production or development but which are in various stages of exploration.

The table set out below shows the prevailing Cairn India share price on the first trading day of each of the six months prior to the date of this document:

<u>Month</u>	<u>Closing Share price (INR)</u>
November 2011	299.90
December 2011	311.85
January 2012	314.5
February 2012	346.9
March 2012	376.9
April 2012	341.00
12 April 2012 (latest practicable date)	339.15

Source: Bloomberg

The Company retains a residual shareholding in Cairn India of approximately 22 per cent. which is held as an asset available for sale on the Group's balance sheet. As at 31 December 2011, the fair value of the Company's residual interest in Cairn India was US\$2.463 billion (extracted without material adjustment from the Group's audited consolidated financial accounts for the year ended 31 December 2011). As at 12 April 2012, being the latest practicable date prior to the publication of this document, the market value of the Company's residual interest in Cairn India was approximately US\$2.732 billion, based on an exchange rate of US\$1: INR51.589. The Company's future results will reflect any disposals of Cairn India shares through a reduction in assets held for sale, on a marked-to-market basis, and corresponding increase in cash, subject to that cash being redeployed elsewhere within the business of the Group. Cairn India does not currently pay any dividends and the Company has no financial commitments in respect of the residual interest. The Company would expect to benefit from interest receivable from short-term deposits of the cash proceeds from disposals of Cairn India shares. Shareholders should read the whole of this document and not rely solely on the summarised financial information above.

5. Current trading and prospects

On 16 April 2012, the Company published its annual results for the year ending 31 December 2011, which contained the following statement:

“Cairn's financial strategy continues to focus on preserving our balance sheet strength and allocating our capital in line with robust investment criteria. The completion of the sale of a 40% interest in Cairn India to Vedanta generated post-tax cash inflows of \$5.4 billion, realising an accounting gain on disposal of \$4.4 billion. After returning ~\$3.5 billion (£1.60 per share) to shareholders in February 2012, Cairn has retained over \$1 billion in cash and cash equivalents to fund the ongoing capex programme and new business opportunities. The remaining 22% interest in Cairn India is now accounted for on a mark-to-market basis. At the balance sheet date, our shareholding was valued at 314 INR per share, \$2.5 billion in total. The Group had no debt at the year end.”

In the first quarter of 2012, the Company generated modest operating losses as a result of new business activities and administrative expenses. The Company generated a significant foreign exchange gain of approximately US\$64m on GBP held in advance of the cash return noted above, reversing foreign exchange losses incurred in December 2011 (source: extracted without material adjustment from the Group's unaudited accounting records). No significant exploration expenditure has been incurred during the period.

On 3 April 2012 the Company announced the acquisition of Agora Oil & Gas AS, a private Norwegian company with non-operated, exploration, appraisal and development assets in the UK and Norwegian North Sea, for a total consideration of approximately US\$450m to be satisfied through a combination of approximately 43 per cent. cash and 57 per cent. Cairn shares. The transaction is subject to consent from the relevant regulatory authorities in the UK and Norway and has no impact on the Company's trading for the year to date. Further details of the acquisition are set out in paragraph 5(c) of Part III of this document.

The Directors remain confident about the prospects for the Group for the current financial year.

6. Summary explanation of the resolutions to be proposed at the Annual General Meeting

There are nineteen resolutions to be proposed at the Annual General Meeting. Resolutions 1 to 14 and 18 are to be proposed as ordinary resolutions and accordingly will be passed if more than 50 per cent. of the votes cast are

in favour. Resolutions 15, 16, 17 and 19 are to be proposed as special resolutions and accordingly will be passed if at least 75 per cent. of the votes cast are in favour. The main terms of the resolutions are summarised below.

Resolution(s) Explanation

- 1 Resolution 1 proposes the approval of the Company's accounts, the Directors' report and the auditors' report for the year ended 31 December 2011, which the Directors must lay before the Shareholders in a general meeting.
- 2 Listed companies are required to prepare a directors' remuneration report and put a resolution to approve the report to the Shareholders at an annual general meeting. A copy of the Directors' Remuneration Report is set out on pages 69 to 87 (inclusive) of the 2011 Annual Report and Accounts and this resolution seeks approval of the report.
- 3 The Company is required to appoint auditors at each general meeting at which accounts are laid before shareholders, to hold office until the end of the next such meeting. Ernst & Young LLP have expressed their willingness to continue as auditors and this resolution proposes their re-appointment as the Company's auditors.
- 4 Resolution 4 seeks authority for the Directors to decide the auditors' remuneration.
- 5 to 13 In accordance with the UK Corporate Governance Code, all of the Directors, being Sir Bill Gammell, Todd Hunt, Iain McLaren, Dr James Buckee, Alexander Berger, Jackie Sheppard, Simon Thomson, Dr Mike Watts and Jann Brown will, being eligible, offer themselves for re-election as directors at the Annual General Meeting. These resolutions seek such re-elections.

The Directors' biographies are set out on pages 54 and 55 of the 2011 Annual Report and Accounts. The Articles of Association provide that Directors can be appointed by the Company, by ordinary resolution or by the Board. The nomination committee makes recommendations to the Board on the appointment and replacement of Directors. Further details of the rules governing the appointment and replacement of Directors are set out in the Corporate Governance Statement on pages 59 to 68 of the 2011 Annual Report and Accounts and in the Articles of Association. An explanation of the performance evaluation procedure carried out by the Company is also contained in the Corporate Governance Statement, on page 60 of the 2011 Annual Report and Accounts.

- 14 Resolution 14 seeks to renew the Directors' power to allot shares. It proposes that authority be granted in substitution for the existing authority to allot securities up to a maximum amount of £2,527,019.99, representing approximately 33.33% of the Company's total issued ordinary share capital (excluding treasury shares) as at 12 April 2012, being the latest practicable date prior to publication of this document.

Following guidance issued by the ABI in December 2008 and updated in November 2009, the Company is seeking an additional authority to allot securities in connection with a pre-emptive rights issue up to a maximum amount of £2,527,019.99, representing approximately 33.33% of the Company's total issued ordinary share capital (excluding treasury shares) as at 12 April 2012, being the latest practicable date prior to publication of this document. The benefit to the Company of obtaining such authority on an annual basis is that it would allow the Company to implement a rights issue of up to approximately 66.66% of the issued ordinary share capital without the need to call an additional general meeting. This would shorten the implementation timetable of such a rights issue.

The Directors consider that the authorities sought pursuant to Resolution 14 are desirable to allow the Company to retain flexibility, although they have no present intention of exercising these authorities. The authorities will expire on 30 June 2013 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2013.

As at 12 April 2012, being the latest practicable date prior to publication of this document, the Company did not hold any shares in treasury.

- 15 Section 561(1) of the Companies Act 2006 provides that if the Directors wish to allot any equity securities, or sell any treasury shares (if it holds any), for cash, they must first offer them to existing shareholders in proportion to their existing shareholdings. Section 561 does not apply to allotments of equity securities made in connection with an employee share scheme.

Resolution 15 seeks to give the Directors power to allot equity securities or sell treasury shares for cash as if section 561 of the Companies Act 2006 did not apply, in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority granted by Resolution 14, and otherwise up to a total amount of £379,090.91, representing approximately 5% of the Company's total issued ordinary share capital as at 12 April 2012, being the latest practicable date prior to publication of this document.

The power conferred by Resolution 15 will expire at the same time as the authority conferred by Resolution 14, unless previously revoked, varied or extended by the Company in general meeting.

- 16 If passed, Resolution 16 will authorise the Company to make market purchases of its own Ordinary Shares. Ordinary Shares repurchased by the Company pursuant to such authority may be cancelled or held in treasury and then either sold (in whole or in part) for cash or cancelled (in whole or in part). The Directors do not intend at present to exercise this authority but wish to retain the flexibility to do so in the future. No dividends will be paid on treasury shares and no voting rights attach to them.

The maximum aggregate number of Ordinary Shares that may be purchased pursuant to the authority shall be approximately 14.99% of the issued ordinary share capital of the Company as at 12 April 2012, being 83,147,600 Ordinary Shares. The maximum price which may be paid for an Ordinary Share pursuant to this resolution (exclusive of expenses) shall be the higher of (i) an amount equal to 105% of the average of the middle market quotations for the Company's Ordinary Shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System (SETs). The minimum price that may be paid for an Ordinary Share pursuant to this resolution (exclusive of expenses) shall be $23\frac{1}{169}$ pence, being the nominal value of an Ordinary Share.

In accordance with the Listing Rules, the Company will not repurchase shares in the period of 60 days immediately preceding the announcement of its interim results or the preliminary announcement of its annual results or, if shorter, the period from the end of the financial period concerned up to and including the time of a relevant announcement or, except in accordance with the Listing Rules, at any other time when, in terms of the Company's dealing rules, the Directors would be prohibited from dealing in shares. This authority, if conferred, will only be exercised if the Directors consider that any purchase will result in an increase in earnings per share of the ordinary share capital in issue after the purchase and, accordingly, would be in the best interests of shareholders generally.

This authority will expire on the earlier of 30 June 2013 or the conclusion of the annual general meeting of the Company to be held in 2013, unless previously revoked, varied or renewed by the Company in general meeting. The Directors intend to seek renewal of this authority at subsequent annual general meetings.

The Company did not purchase any of its own shares during 2011. As at 12 April 2012, options to subscribe for shares were outstanding over an aggregate of 4,029,656 Ordinary Shares (representing approximately 0.73% of the issued ordinary share capital of the Company as at 12 April 2012). If the outstanding amount of the existing buy-back authority granted at the general meeting of the Company held on 30 January 2012 was utilised in full prior to the Annual General Meeting and the new authority was granted at the Annual General Meeting and was then utilised in full, the options outstanding at 12 April 2012 would represent approximately 1.04% of the issued ordinary share capital of the Company.

- 17 Under the Companies Act 2006 the notice period required for general meetings of the Company is 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual general meetings must be held on at least 21 clear days' notice.

At the Company's annual general meeting in 2011, Shareholders authorised the calling of general meetings other than annual general meetings on not less than 14 clear days' notice. The Directors believe that it is appropriate for the Company to retain the flexibility of being able to call a general meeting on 14 clear days' notice and in order to preserve this ability, Resolution 17 seeks such approval. The flexibility offered by this resolution will be used where, taking into account all the circumstances, the Directors consider this appropriate in relation to the business to be considered at the meeting. The approval will be effective until the Company's next annual general meeting in 2013, when it is intended that a similar resolution will be proposed.

- 18 This resolution proposes that any disposal by any member of the Group of any shares in Cairn India on the terms described in paragraph 3 above be approved.

- 19 Resolution 19 proposes the amendment of the Articles of Association, as set out below.

In line with current best practice, it is proposed that the Articles of Association be amended to require that all Directors retire at each annual general meeting of the Company and that those wishing to serve again submit themselves for re-election by Shareholders.

In addition, it is proposed that the Articles of Association be amended to provide that resolutions put to any general meeting of the Company be voted on by a poll and not by a show of hands. This reflects the Company's existing practice on voting, and ensures that shareholders' voting rights are protected and that the good governance principle of one share, one vote is maintained.

Finally, it is proposed that the cap on the aggregate amount of fees capable of being paid to the Company's non-executive Directors set out in the Articles of Association be increased. The current cap of £600,000 was set and approved by shareholders nearly seven years ago at the Company's annual general meeting held in June 2005. There no longer remains any available headroom as a result of the various increases in fee levels over the last seven years. In view of the Company's continuing desire to ensure that high standards of corporate governance are maintained, the Board believes it is important to preserve suitable flexibility both in terms of the individual fees capable of being paid to non-executives and the number of non-executives capable of receiving fees. It is therefore proposed to re-establish available headroom in order to provide this flexibility by amending the cap to £900,000 for the foreseeable future.

A copy of the Articles of Association showing the amendments to be proposed at the Annual General Meeting is available for inspection, as noted on page 24 of this document.

7. Action to be taken

Enclosed with this document is a Form of Proxy for use in respect of the Annual General Meeting. Whether or not you intend to be present at the Annual 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, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 12.00 noon (UK time) on Tuesday, 15 May 2012. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 12.00 noon (UK time) on Tuesday, 15 May 2012. Further information regarding the use of this facility is set out in the notes to the Notice of Annual General Meeting. If you hold your Ordinary 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, by no later than 12.00 noon (UK time) on Tuesday, 15 May 2012. Completion and return of a Form of Proxy or a CREST Proxy Instruction or submission of an electronic proxy appointment or voting direction will not prevent Shareholders from attending and voting in person at the Annual General Meeting should they so wish.

If you have any queries in relation to the Form of Proxy you may call the Shareholder helpline on 0871 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. (London time) on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to 0871 384 2660 are charged at 8 pence per minute from a BT landline. Other service providers' costs may vary. 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 Annual General Meeting or the Residual Interest Disposal Authority, or give any personal, legal, financial or tax advice.

8. Further information

Your attention is drawn to the further information set out in Parts II and III of this document.

9. Recommendation

The Board is of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial holdings amounting in aggregate to 3,140,020 Ordinary Shares representing approximately 0.566 per cent. of the current issued ordinary share capital of Cairn (as at 12 April 2012, being the latest practicable date prior to the publication of this document).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Bill Gammell', followed by a long horizontal line extending to the right.

Sir Bill Gammell
Chairman

PART II

RISK FACTORS

Shareholders should carefully consider, in addition to the other information set out in this document, the risk factors relating to the Group set out below. Any of the risks set out in sections 1 to 3 below could have a material adverse effect on the Company's business, reputation, financial condition and/or operating results and could cause the trading price of the Ordinary Shares to decline. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Company, or which the Company currently deems immaterial, may arise or become material in the future.

1. Risks relating to the oil and gas industry

The following risks relate to the Group and its investment in the Cairn India Group.

Hydrocarbon prices are subject to fluctuations due to a variety of factors beyond the control of the Group

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond the control of the Group. No assurance can be given that hydrocarbon prices will increase, or that existing price levels will be maintained, in the future. Lower hydrocarbon prices may result in a reduction in revenues or net income and could materially adversely affect the business, prospects and financial condition of the Group or the market value of the Group's investment in the Cairn India Group.

There are uncertainties inherent in estimating the quantity of reserves and resources

Estimating the volume of hydrocarbon reserves and resources is a subjective process. The results of seismic surveys, drilling, testing and production subsequent to the date of an estimate may result in revisions to original estimates.

Any reserves and resources data published by the Group or the Cairn India Group are estimates only and should not be construed as representing exact quantities. Reserves and resources estimates are based on production data, prices, costs, ownership, geophysical, geological and engineering data and other information. Estimates may prove to be incorrect and Shareholders should not place undue reliance on any forward-looking statements concerning reserves and resources or production levels. Whilst reserves are generally stated in accordance with reserve and resources definitions by the Society of Petroleum Engineers ("SPE") / World Petroleum Council ("WPC") / American Association of Petroleum Geologists ("AAPG") / Society of Petroleum Evaluation Engineers ("SPEE") in the Petroleum Resources Management System ("PRMS"), Shareholders should be aware that certain categories of reserves and resources (such as prospective and contingent resources) are inherently less certain than certain other categories (such as proved reserves).

If the assumptions upon which estimates of hydrocarbon reserves or resources have been based prove to be incorrect, it may not be possible to recover and produce the estimated levels or quality of hydrocarbons and the Group's business, prospects, financial condition, results of operations or the market value of the Group's investment in the Cairn India Group could be materially and adversely affected.

Exploration and production operations will involve risks normally incident to such activities

Exploration and production operations will involve risks normally incident to such activities including blowouts, oil spills, gas leaks, explosions, fires, equipment damage or failure, natural disasters, unexploded ordnance, geological uncertainties, unusual or unexpected rock formations and abnormal pressures. Offshore operations are also subject to natural disasters as well as to hazards inherent in marine operations and damage to pipelines, platforms, facilities and sub-sea facilities from trawlers, anchors and vessels. The occurrence of any of these events could result in injury to persons and loss of life, environmental damage, production delays, failure to produce oil or gas in commercial quantities or an inability to produce fully discovered reserves.

Consequent delays to seismic, drilling or production activities and declines from normal field operating conditions can be expected to lead to increased costs or adversely affect revenue and cash flow levels to varying degrees and could have a material adverse impact on the Group's business and financial condition or the market value of the Group's investment in the Cairn India Group.

The results of appraising discoveries are uncertain

The results of appraising discoveries are uncertain, which may result in reductions in projected reserves or resources and production declines and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions all of which may variously increase costs of operations or delay anticipated revenues.

Exploration activities are capital intensive and inherently uncertain in their outcome

Exploration activities are capital intensive and inherently uncertain in their outcome. There is a risk that exploration activities are undertaken and incur significant costs, with no assurance that such expenditure will result in the discovery of hydrocarbons, whether or not in commercially viable quantities.

Interruptions in the availability of exploration, production or supply equipment or infrastructure and/or increased costs

Interruptions or delays in the availability of equipment or infrastructure, including seismic survey vessels, rigs, pipelines and storage tanks, on which exploration and production activities are dependent are a common occurrence in the oil and gas industry. Such interruptions or delays could result in disruptions to exploration activities, production, oil and gas offtake arrangements, increased costs, and may have an adverse effect on the Group's business, prospects, financial condition, results of operations or the market value of the Group's investment in the Cairn India Group.

Reliance upon third party contractors and providers of equipment

It is a common practice of the Group, and within the oil and gas industry more generally, to contract or lease services and equipment from third party providers. Such services and equipment can be scarce and may not be readily available at the times and places required.

In addition, the costs of third party services and equipment have increased significantly over recent years and may continue to rise. Scarcity of services and equipment and increased prices may in particular result from any significant increase in regional exploration and development activities, which in turn may be the consequence of increased or continued high hydrocarbon prices. The scarcity of such services and equipment, as well as their potentially high costs, could delay, restrict or lower the profitability and viability of projects which may have an adverse effect on the Group's business, prospects, financial condition, results of operations or the market value of the Group's investment in the Cairn India Group.

Operators of assets may incur liabilities and other joint venture partners may restrict activities

Operators of assets within the oil and gas industry may incur liabilities as a result of mismanagement of an asset by them, which may give rise to liabilities to the other joint venture partners. There is also a risk that other parties with interests in assets may elect not to participate in certain activities relating to those assets which require that party's consent. In such circumstances, it may not be possible for such activities to be undertaken alone or in conjunction with other participants at the desired time or at all. In addition, other joint venture partners may default in their obligations to fund capital or other funding obligations in relation to the assets. A requirement to contribute all or part of any such funding shortfall could have an adverse effect on the Group's business, prospects, financial condition or results of operations or the market value of the Group's investment in the Cairn India Group.

Health, safety and the environment

Operators within the oil and gas industry are subject to laws and regulations relating to the protection of health and safety as well as the environment. Health, safety and environment policies seek to ensure compliance with applicable legal and regulatory requirements, as well as to apply recognised international standards. Failure to comply with applicable legal and regulatory requirements or recognised international standards may give rise to significant liabilities.

Health, safety and environment laws and regulations may over time become more complex and stringent or the subject of increasingly strict interpretation or enforcement. The terms of the grant of licences or production

sharing contracts (“PSCs”) may include more stringent environmental and/or health and safety requirements. The obtaining of exploration, development or production licences and permits for operations may become more difficult or be the subject of delay by reason of governmental, regional or local environmental consultation, approvals or other considerations or requirements. These factors may lead to delayed or reduced exploration, development or production activity as well as to increased costs.

Failure to meet environmental requirements or the occurrence of a major accident or disaster may result in administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines, penalties and damages against the Group as well as orders that could limit or halt or even cause closure of its operations, any of which could have a material adverse effect on the Group’s business, results of operations and financial condition or the market value of the Group’s investment in the Cairn India Group.

Involvement in litigation or other proceedings relating to safety, health and environmental matters, could result in material costs. Clean-up and remediation costs and related litigation may have a material adverse effect on the Group’s reputation, cash flow, results of operations and financial condition or the market value of its investment in the Cairn India Group.

Natural disaster or other catastrophic events

The Group’s and the Cairn India Group’s operations are located in areas that can be subject to extreme weather conditions, flooding, earthquake and other natural disasters. These factors may lead to delayed or reduced exploration, development or production activity as well as to increased costs.

Uninsured risks

Substantial liability claims may arise due to the inherently hazardous nature of oil and gas operations or for acts and omissions of contractors, sub-contractors, operators or joint venture partners. Any indemnities received from such parties may be limited or may be difficult to enforce if such contractors, sub-contractors, operators or joint venture partners lack adequate resources.

The Board believes that the Group’s level of insurance cover is reasonable based on the costs of cover, the risks associated with its business and industry practice and currently includes insurance for out-of-control wells (including coverage of pollution and environmental damage caused thereby), third party liability coverage (including employer’s liability insurance) and directors’ and officers’ liability insurance, in each case subject to deductibles, exclusions and limitations. The Group does not, however, carry business interruption, key-man or sabotage insurance.

The Group can give no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. The Group is also subject to the risk of unavailability, increased premiums or deductibles, reduced coverage and additional or expanded exclusions in connection with insurance policies and those of the operators of any assets which the Group does not operate itself. All of these factors could adversely affect the Group’s business, results of operations, financial condition or prospects. Uninsured risks relating to the Cairn India Group could impact the market value of the Group’s investment in the Cairn India Group.

Exposure to the political, legal, fiscal, economic, regulatory and social risks of the countries where operations are located or intended to be located

Political, economic, legal, regulatory and social risks may affect operators in the countries in which they operate or intend to operate. These risks potentially include expropriation (including “creeping” expropriation) and nationalisation of property, changes to fiscal regimes or tax law or unexpected changes to the interpretation and enforcement of existing tax law, instability in political, economic or financial systems, uncertainty arising from underdeveloped legal and regulatory systems, corruption, civil strife or labour unrest, acts of war, armed conflict, terrorism, outbreaks of infectious diseases, prohibitions, limitations or price controls on hydrocarbon exports and limitations or the imposition of tariffs or duties on imports of certain goods.

In particular, wars, acts of terrorism and uncertain political or economic prospects or instability in the Middle East and North Africa (“MENA”) may adversely impact global financial markets and increased volatility in the

price of crude oil. Recent protests in the MENA countries may continue and broaden across the region and lead to significant political uncertainties in a number of countries, which could materially adversely affect the Group's business, results of operations, financial condition or prospects or the market value of the Group's investment in the Cairn India Group.

Transportation, telecommunications and financial services infrastructures within countries where operations are based may present logistical challenges not associated with doing business in more developed locales. There may be difficulty ascertaining legal obligations and enforcing any legal rights. Certain governments in other countries have in the past expropriated or nationalised property of hydrocarbon production companies operating within their jurisdictions. Sovereign or regional governments could require larger shares of hydrocarbons or revenues than previously agreed to or could impose higher rates of taxation.

Once hydrocarbon exploration and/or production operations have been established in a particular country, it may be expensive and logistically burdensome to discontinue such operations should economic, political, physical or other conditions subsequently deteriorate. All of these factors could adversely affect the Group's business, results of operations, financial condition or prospects or the market value of the Group's investment in the Cairn India Group.

Licensing, other regulatory requirements and decommissioning

Oil and gas activities are subject to licences, regulations and approvals of governmental authorities including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation, and environmental and health and safety matters in the countries where they are located or intended to be located.

Operators have limited control over whether or not necessary approvals or licences (or renewals thereof) are granted or maintained, the timing of obtaining (or renewing) such licences or approvals, the terms on which they are granted or the tax regime to which they or their respective assets will be subject. This may result in limited control over the nature and timing of development and exploration of oil and gas fields where interests are sought or held. Changes in regulatory requirements could preclude or detrimentally affect the schedule or costs associated with planned activities.

Upon the expiry of licences, contractors are generally required, under the terms of relevant licences or local law, to dismantle and remove equipment, cap or seal wells and generally make good production sites. Decommissioning charges may be in excess of those provided for, since local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, particularly in case of future licence renewals. This could adversely affect the Group's business, results of operations, financial condition or prospects or the market value of the Group's investment in the Cairn India Group.

The oil and gas industry is highly competitive

Participants within the oil and gas industry compete in the search for and acquisition of oil and gas assets and licences. Competitors may include companies with, in many cases, greater financial resources, local contacts, staff and facilities than those of the Group.

Competition for exploration and production licences as well as for other investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying out of activities or reduced available growth opportunities and may adversely affect the Group's business, financial condition, results of operations and prospects or the market value of the Group's investment in the Cairn India Group.

Activities and reputation could be affected by unsupportive stakeholders

Business activities and reputation could be affected by the attention of stakeholders who oppose the exploration for oil and gas in the areas where operations are located. Such actions could have a material adverse effect on the operations and reputation of the Group.

Changes to economic or fiscal policy may result in higher tax burden

The oil and gas industry worldwide is characterised by relatively frequent changes in economic and fiscal policy by governments whether through amendments to legislation or PSCs, changes in interpretation of legislative

terms or similar actions. Such actions may result in an increased tax burden and therefore reduce the level of post-tax income and could have a material adverse effect on the Group's business, operating results and financial condition or the market value of the Group's investment in the Cairn India Group.

2. Risks relating to the Group

The Group may be unable to implement its growth strategy

The Group's strategy is to focus on exploration, appraisal and development opportunities where the Board believes that there is a strategic fit with the Group's ongoing goal to add and, where appropriate, realise value for Shareholders. There can be no assurance that the Group will continue to implement successfully this strategy and 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 future exploration and development efforts

The Group holds extensive exploration acreage in Greenland, Spain, Albania and Nepal, being subject to an ongoing exploration work programme which has focussed recently on Greenland. There can be no assurance that the Group's future exploration and development activities will result in the discovery and development of commercial accumulations of oil and gas. Should the Group's efforts be unsuccessful and result in the Group's reserves not increasing, this could have a negative impact on the Group's business, financial condition, prospects and results of operations.

Dependence on certain key employees

The Group's business is managed by a number of key personnel, including the executive directors and senior management team, many of whom have significant experience within their business and the oil and gas exploration and production sector more generally. Those individuals may be difficult to replace particularly in light of the fact that the Group operates in a highly competitive market. The loss of key personnel could have a material adverse effect on the Group's business. In addition, as the business develops and expands, the Group's future success will depend on its continued ability to attract, motivate and retain highly skilled and qualified personnel. There can be no assurance that key personnel will continue to be employed by the Group or that the Group will be able to retain suitably qualified and experienced personnel in the future. The failure to retain or recruit key personnel could materially adversely affect the Group's reputation, financial condition and/or operating results.

The Group's retained shareholding in the Cairn India Group represents a significant proportion of its value

One of the Group's main assets is its retained minority shareholding in the Cairn India Group. The value of the Group may continue to be significantly affected by the performance of the Cairn India Group. Any failure by the Cairn India Group to continue to develop its business and/or the occurrence of any of the risks relating to the Cairn India Group set out in sections 1 and 3 of this Part II could have a material adverse effect on the market value of the Group's retained interest in the Cairn India Group and, in turn, upon the market value of the Group.

Cairn has no rights to appoint any directors to the board of Cairn India and its shareholding does not provide the Group with the ability to control actions that require a majority shareholder approval. Cairn may not have the ability to prevent Cairn India from engaging in activities or pursuing strategic objectives that may conflict with the interests or overall strategic objectives of the Group. Decisions made by the board of Cairn India could have a material impact on the reported earnings of Cairn, and changes in market or macroeconomic conditions could impact the cashflows and valuation of Cairn's investment in Cairn India.

Liability for certain obligations of the Cairn India Group

Following completion of the sale of a majority shareholding in Cairn India to Vedanta, Vedanta has submitted parent company guarantees (PCGs) to the Government of India in respect of certain obligations of members of the Cairn India Group under existing PSCs in India. These PCGs have been submitted as replacements for those previously provided by Cairn. As yet, however, the original Cairn PCGs have not been released. While Cairn does have indemnity cover from either Cairn India or Vedanta in respect of these non released PCGs, there is a risk that the Government of India can still call upon these PCGs until such time as they are released. In addition, Cairn is awaiting the release of its PCG in respect of a PSC for a block relinquished by Cairn India following the

satisfaction of all conditions and obligations under the PSC by Cairn India. Should these PCGs be called upon, the amount or costs of meeting its obligations under the guarantees may not be fully recoverable by Cairn. Accordingly, liabilities incurred by the relevant members of the Group under those parent company guarantees could adversely affect the Group's business, operating results and/or financial condition.

Exposure to the political, legal, fiscal, economic, regulatory and social risks of the countries where the Group's operations are located or intended to be located

Political, economic, legal, regulatory and social risks may affect the Group in countries in which it operates or intends to operate. These risks potentially include expropriation (including "creeping" expropriation) and nationalisation of property, changes to fiscal regimes or tax law or unexpected changes to the interpretation and enforcement of existing tax law, instability in political, economic or financial systems, uncertainty arising from underdeveloped legal and regulatory systems, corruption, civil strife or labour unrest, acts of war, armed conflict, terrorism, outbreaks of infectious diseases, prohibitions, limitations or price controls on hydrocarbon exports and limitations or the imposition of tariffs or duties on imports of certain goods.

3. Risks relating to the Group's investment in the Cairn India Group

These risks relate to the financial condition and/or operating results of the Cairn India Group and therefore to the value of the Group's investment in the Cairn India Group.

Volatility of the Cairn India Group share price

The Group owns shares in Cairn India which are listed and traded on the Indian Stock Exchanges. The value of those shares may change significantly and rapidly, and will be determined by factors outside of the Group's control, including general market sentiment on the Indian Stock Exchanges, global oil prices, the operational status of the Cairn India Group's assets, the strength of the Cairn India Group's management, the actions of Vedanta as the controlling shareholder of the Cairn India Group and the policies of the Government of India with regard to the Cairn India Group and its assets.

Historically, the Cairn India Group has not paid any dividends to its shareholders and there can be no guarantee that it ever will pay dividends. The benefit to the Group of its investment in the Cairn India Group may therefore be solely determined by the market value of the shares.

Production rates from the Rajasthan fields may be lower than forecast

The Cairn India Group's main asset is its participating interest in the Rajasthan fields, which are currently producing 150,000 barrels of oil per day. Continuing and increasing production from these fields is expected to be the key determinant of the Cairn India Group's operating results and revenues.

Certain forecast production increases from the Cairn India Group's Rajasthan fields will require the consent of third parties including the joint venture partner, the appropriate regulatory authorities and the Government of India ("GoI"), which may not be forthcoming or which may be delayed and thereby result in a detrimental impact on the Cairn India Group's expected operating results.

Crude produced from the Rajasthan fields is characterised by its viscous nature in the reservoir and its propensity, inside or outside the reservoir, to require higher temperatures for the crude to remain in liquid form than is the case for most producing oil fields. To extract the waxy crude oil, the Cairn India Group is using hot water injection as the recovery technique at these fields. Any operational failure in this technique may have an adverse impact on the overall field production rate and ultimate recovery, which would have a detrimental impact on the Cairn India Group's operating results and revenues. Furthermore, the temperature of the crude oil in the main 24 inch insulated oil pipeline and connecting spur lines should be kept higher than the wax appearance temperature of the crude oil, which has required the installation of a specialised heating system and heating stations at various points along the pipeline. If the specialised heating system does not continue to perform and/or there are problems associated with the performance of the heating stations and/or there are problems supplying fuel to the power generation systems at these heating stations, then this may mean that the temperature of the crude oil cannot be maintained at the required temperature, which will have an adverse impact on the rates at which oil can be transported through the pipeline network. This would also have a detrimental impact on the Cairn India Group's operating results and revenues.

The hot water injection recovery technique requires the Cairn India Group to continue to source its own supply of saline water, and maintaining the requisite temperature of the water for injection and of the crude in the production facilities and the pipelines requires the Cairn India Group to continue to source its own supply of gas or alternative fuel. Any interruption to the supply of water or fuel, or any failure to source sufficient water or fuel to enable the continued development of the Rajasthan fields may result in an adverse impact on production rates and ultimate recovery of crude. This would have a detrimental impact on the Cairn India Group's operating results and revenues.

Production of associated gas from the Rajasthan fields may be greater than expected, and may exceed any environmental limits for the disposal of such associated gas. This could require crude oil production to be reduced to allow such limits to be met, or require the construction of facilities to inject any such excess gas into a suitable reservoir, which would require the construction of additional facilities with the associated additional costs, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

Uncertainty of estimates of recoverable reserves

Any reserves and resources data published by the Cairn India Group are estimates only and may prove not to be correct. Any negative revision to the estimated recoverable reserves of the Cairn India Group could have a material adverse effect on its business, operating results and financial condition.

Certain estimates of recoverable reserves from the Rajasthan fields assume the use of enhanced oil recovery techniques to extract an additional incremental percentage of the estimated oil in place in the reservoirs. There is no guarantee that these techniques will be successful, nor that they can be commercially implemented on a large scale or that their implementation will be economic if global oil prices reduce.

Requirements for the development of incremental infrastructure

Increased production from the Rajasthan fields is expected from the currently producing Mangala and Bhagyam fields and from the start of production from the Aishwariya field and the further 22 discoveries, but such increased production will rely on, amongst other things, the successful construction of additional infrastructure.

The results of the Bhagyam development drilling programme may indicate that additional development wells (whether producers or water injectors) may be required in order that the Bhagyam field can produce at the approved Bhagyam field plateau production rate. If additional wells are required, this will mean an increase in the field development costs, which may require the approval of the joint venture partner, the relevant regulatory authorities and the GoI, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

Construction of the final stretch of the main export pipeline, taking Rajasthan crude to export facilities on the coast, is not yet complete. Whilst work has commenced on the construction and installation of the Salaya to Bhogat section of the main pipeline, there is a risk that the construction, installation and commissioning of the Salaya to Bhogat section, which is approximately 90 km long, could take longer or cost more than planned. A delay or cost overrun in the construction and installation of the Salaya to Bhogat section of the main pipeline could have a material adverse effect on Cairn India's business, operating results and financial condition. Similarly, whilst work has commenced on the construction and installation of the marine terminal and loading facilities, there is a risk that the construction, installation and commissioning of the marine terminal and loading facilities could take longer or cost more than planned. If the completion of the Bhogat terminal and/or marine loading facilities are delayed, this will adversely impact the ability to despatch crude oil to customers who require the marine transportation of the crude oil to their receiving terminals, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

Risks relating to the sale of crude from the Rajasthan fields

Export of crude from the Rajasthan fields is currently by pipeline to fixed onshore delivery points and a limited number of potential buyers. There is no guarantee that buyers can continue to be found for the crude at these delivery points or that buyers can be found for increased production quantities from the fields. Any interruption to the ability or willingness of counterparties to purchase the crude would have a material adverse impact on oil sales and the cash flow of the Cairn India Group. Furthermore, the current limited competition for the purchase of crude from the Rajasthan fields may expose the Cairn India Group to offtake and production delays, adverse pricing or other contractual terms. Completion of the pipeline from Salaya to Bhogat and the Bhogat storage and marine loading facilities will provide a longer term solution allowing access to additional buyers at coastal refineries.

Risk of adverse amendments to the Rajasthan Licence terms, or failure to extend the licence on expiry

The Rajasthan PSC expires in 2020 and there is a risk that the GoI declines an extension request or gives its approval subject to acceptance of revised terms. This could have an adverse impact on the Cairn India Group's oil reserves, sales and cash flow, which ultimately could materially adversely affect the financial condition and/or operating results of the Cairn India Group.

GoI approval to the transfer of a controlling shareholding in the Cairn India Group to Vedanta was subject to certain conditions being fulfilled, not all of which were directly related to the proposed transfer of shares. There is no guarantee that the GoI will not in the future seek to impose conditions in respect of any future requests for approvals, acceptance of which may materially adversely affect the financial condition and/or operating results of the Cairn India Group.

PART III

ADDITIONAL INFORMATION

1. Responsibility statements

The Directors, whose names are set out in paragraph 2.2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors' and others' interests

2.1 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.

2.2 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 12 April 2012 (being the latest practicable date prior to the publication of this document) are as follows:

<u>Director</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued ordinary share capital*</u>
Sir Bill Gammell	1,247,004	0.225%
Todd Hunt	72,012	0.013%
Iain McLaren ⁽⁴⁾	7,878	0.001%
Dr James Buckee	25,320	0.005%
Alexander Berger	Nil	Nil
Jackie Sheppard	Nil	Nil
Simon Thomson ⁽³⁾	364,424	0.066%
Dr Mike Watts ⁽³⁾⁽⁴⁾	1,141,973	0.206%
Jann Brown ⁽³⁾	281,409	0.051%

* (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 Ordinary Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after 12 April 2012 (being the latest practicable date prior to the publication of this document).
- (2) The interests of the Directors in Ordinary Shares together represent 0.566 per cent. (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company as at 12 April 2012 (being the latest practicable date prior to the publication of this document).
- (3) The interests of the executive Directors include Ordinary 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 Ordinary Shares shown above.
- (4) In addition to their respective interests in Ordinary Shares, Iain McLaren is interested in 10,000 B Shares and Dr Mike Watts is interested in 1,363,638 B Shares.

2.3 The interests (all of which are beneficial) of the PDMRs (other than the Directors) in the share capital of the Company as at 12 April 2012 (being the latest practicable date prior to the publication of this document) are as follows:

<u>PDMR</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued ordinary share capital*</u>
Phil Dolan, Director of Operations	20,315	0.004%
Richard Heaton, Exploration Director ⁽²⁾	474,779	0.086%
Paul Mayland, Director of Planning and Business Development ⁽²⁾	7,541	0.001%
Douglas Taylor, Deputy Finance Director ⁽²⁾	34,785	0.006%

* (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 Ordinary Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after 12 April 2012 (being the latest practicable date prior to the publication of this document).
- (2) The interests of these PDMRs include Ordinary 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 Ordinary Shares shown above.

2.4 As at 12 April 2012 (being the latest practicable date prior to the publication of this document), the Directors and other PDMRs held the following outstanding rights to acquire Ordinary Shares under the 2009 LTIP:

	Outstanding awards under the 2009 LTIP
	Ordinary Shares
Director	
Sir Bill Gammell	1,095,800
Simon Thomson	1,027,440
Dr Mike Watts	1,229,510
Jann Brown	1,069,540
PDMR	
Phil Dolan	183,236
Richard Heaton	642,525
Paul Mayland	232,791
Douglas Taylor	95,675

2.5 As at 12 April 2012 (being the latest practicable date prior to publication of this document) the aggregate number of Ordinary Shares in respect of which options or other rights to subscribe had been granted by the Company was 4,029,656 (representing approximately 0.73 per cent. of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

If the authority in resolution 16 to be proposed at the Annual General Meeting was utilised in full following the resolution becoming effective, the options to subscribe for Ordinary Shares which were outstanding as at 12 April 2012 (being the latest practicable date prior to publication of this document) would represent 0.86 per cent. of the issued ordinary share capital of the Company.

3. Major Interests

3.1 Insofar as is known to the Company, as at 12 April 2012 (being the latest practicable date prior to the publication of this document), the name of each person who, whether directly or indirectly, held a notifiable interest in 3 per cent. or more of the issued ordinary share capital of the Company, and the amount of each person’s interest, was as follows:

<u>Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued ordinary share capital*</u>
HSBC Global Asset Management	54,196,318	9.77%
MFS Investment Management	43,920,469	7.92%
BlackRock	35,170,687	6.34%
Legal & General Investment Management	21,827,324	3.94%
Scottish Widows	17,480,546	3.15%

* (rounded to the nearest second decimal place)

4. Remuneration of Directors and service contracts

4.1. Executive Directors’ service agreements

On 6 December 2002, Dr. Mike Watts entered into an agreement with Cairn to act as an executive director and exploration director. On 17 November 2006, Jann Brown entered into an agreement with Cairn to act as an executive director and finance director. 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.

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 retirement age for Dr Mike Watts and Jann Brown under their service agreements is 60 and 65 respectively. Simon Thomson's service agreement does not specify a retirement age.

Under the service agreements, as amended, the current annual basic salary of Simon Thomson, Dr. Mike Watts and Jann Brown is as follows:

Simon Thomson	£ 494,000
Dr Mike Watts	£ 452,000
Jann Brown	£ 416,000

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, permanent health insurance, private health insurance and death in service benefit of up to four times annual basic salary at the date of death.

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 per cent. in respect of the annual basic salary of each of the executive directors.

Dr. Mike Watts and Jann Brown are members of the plan and receive a contribution equal to 15 per cent. of their respective annual basic salaries.

Simon Thomson has an individual personal pension plan and receives a contribution from Cairn equal to 15 per cent. of his annual basic 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 an executive director's employment within three months of such change of control, each of the executive directors is entitled to receive compensation of a sum equal to his annual basic salary as at the date of termination of employment.

Each executive director is subject to post-termination obligations for a period of six 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.

4.2. *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. However, under the Articles of Association, all non-executive Directors must retire by rotation at least every three years. Notwithstanding these provisions of the Articles of Association, the Board has resolved (consistent with the UK Corporate Governance Code) that all Directors who are eligible should offer themselves for re-election at the Annual General Meeting. 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 by rotation 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.

<u>Director</u>	<u>Date of appointment or of last reappointment</u>	<u>Annual fee</u>
Sir Bill Gammell	19 May 2011	£230,000
Todd Hunt	19 May 2009	£ 70,000
Iain McLaren	19 May 2009	£ 70,000 ⁽¹⁾
Dr James Buckee	19 May 2009	£ 70,000
Alexander Berger	19 May 2011	£ 70,000
Jackie Sheppard	19 May 2011	£ 70,000 ⁽²⁾

Notes:

- (1) Iain McLaren is also entitled to an additional annual fee of £10,000 for chairing the Audit Committee.
- (2) Jackie Sheppard is also entitled to an additional annual fee of £10,000 for chairing the Remuneration Committee.

Save as disclosed in paragraphs 4.1 and 4.2 above, there are no existing or proposed service contracts or letters of appointment between any Director and any member of the Group.

5. Material Contracts

The Group

Other than the Sale Agreement, the contracts entered into in connection with the return by the Company of up to US\$3.5 billion of cash to Shareholders, and the share purchase agreements entered into in connection with the acquisition by the company of Agora Oil & Gas AS (“**Agora**”) (on which, please see below), 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 document which are, or may be, material to the Group; 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 Group as at the date of this document.

(a) Sale Agreement

The Sale Agreement was entered into on 15 August 2010 between Cairn UK Holdings Limited (“**CUKHL**”), Cairn, Twin Star Energy Holdings Limited (“**Twin Star**”) (a wholly owned subsidiary undertaking of Vedanta) and Vedanta. The Sale Agreement was subsequently amended by various amendment deeds and a side letter. The obligations of CUKHL and Twin Star under the Sale Agreement are guaranteed by Cairn and Vedanta respectively.

Under the Sale Agreement, CUKHL sold Cairn India shares, representing 40 per cent. of Cairn India’s fully diluted share capital in two tranches, as follows:

- (a) on 11 July 2011, the first tranche of 191,920,207 Cairn India shares (representing 10 per cent. of Cairn India’s fully diluted share capital) was completed; and
- (b) on 8 December 2011, the second tranche of 575,760,620 Cairn India shares (representing 30 per cent. of Cairn India’s fully diluted share capital) was completed.

The consideration paid for each Cairn India share was INR355, and was settled in US dollars (at an agreed exchange rate of US\$1 to INR45.25).

Vedanta agreed to use its best endeavours to secure the release of Cairn from certain guarantees provided by Cairn (or a member of the Group (other than Cairn India or its subsidiaries)) of obligations of Cairn India and its subsidiaries and in the meantime shall indemnify Cairn (or any applicable member of the Group) against any liability thereunder or which may be incurred in relation thereto. Cairn agreed to use its best endeavours to secure the release of Cairn India and its subsidiaries from any guarantees provided by Cairn India or any of its subsidiaries of the obligations of Cairn and member of the Group (other than Cairn India and its subsidiaries) and in the meantime shall indemnify Twin Star (or any applicable member of Vedanta and its subsidiary undertakings (the “**Vedanta Group**”) against any liability thereunder or which may be incurred in relation thereto.

While Vedanta and its subsidiary undertakings hold 51 per cent. or more of the issued equity share capital of Cairn India, no member of the Group may:

- (a) purchase any additional shares in Cairn India if the aggregate of the shares purchased would then exceed 1 per cent. of the then issued share capital of Cairn India; or
- (b) enter into any agreement or act in concert with any person holding 5 per cent. or more of the issued share capital of Cairn India, so far as such agreement relates to any shares held by any member of the Group in Cairn India.

The Group is, however, entitled to participate in pre-emptive share issues by Cairn India.

Cairn and Vedanta agreed pursuant to the amendment deeds and the side letter referred to above that certain provisions of the Sale Agreement be terminated. These provisions included:

- (a) the put and call arrangements under which Twin Star was entitled to require CUKHL to sell, and CUKHL was entitled to require Twin Star to purchase certain additional shares in Cairn India held by CUKHL in certain circumstances;
- (b) the restrictive covenant given in relation to the Group and the consideration to be paid to CUKHL in respect of it; and
- (c) the pre-emption rights granted by CUKHL to the Vedanta Group in respect of its residual shareholding in Cairn India.

(b) Agreements relating to the return by the Company of up to US\$3.5 billion to Shareholders

On 10 January 2012, Cairn entered into an initial purchase offer deed with Morgan Stanley Securities Limited, a put option agreement with Morgan Stanley Securities Limited and an escrow account agreement with Morgan Stanley Securities Limited and Citibank N.A., London Branch in connection with the return by the Company of up to US\$3.5 billion of cash to Shareholders.

This return was structured in a way that enabled certain Shareholders to elect for the manner in which they received that cash from the Company. Those Shareholders could elect for an income receipt (in the form of a special dividend of £1.60 per B Share) or for a capital receipt (in the form of an acquisition by Morgan Stanley of B Shares on 14 February 2012) or a mixture of the two. As regards the capital receipt, Shareholders could also elect to retain some or all of the B Shares held by them, with the expectation being that Morgan Stanley may make a further offer to acquire those retained B Shares at some point during April 2012. There is however no guarantee that any such further offer will be made.

The initial purchase offer deed between the Company and Morgan Stanley dealt with the initial offer made by Morgan Stanley on 14 February 2012 to acquire B Shares. The put option agreement between the Company and Morgan Stanley entitled Morgan Stanley to put any B Shares acquired by it pursuant to that initial offer onto the Company, which it did on 14 February 2012. The put option agreement also entitles Morgan Stanley to put any B Shares that it may acquire pursuant to any further offer onto the Company. The escrow account agreement provided a framework to ensure that the funds payable to Morgan Stanley by the Company following the exercise of the put option on 14 February 2012 were available.

(c) Share purchase agreement relating to the acquisition (the "Acquisition") by the Company of Agora

On 3 April 2012 Cairn announced that it had entered into an agreement to acquire the entire issued share capital of Agora. Completion of the Acquisition is subject to satisfaction of a number of conditions, including regulatory approval. Agora is currently owned by RIT Capital Partners plc and Lord Rothschild's family and philanthropic interests, along with management and certain other investors. A summary of the share purchase agreement entered into in connection with the Acquisition (the "**Agora SPA**") is set out below.

The total consideration payable by Cairn in respect of the Acquisition is approximately US\$450m. This will be satisfied through a combination of approximately 43 per cent. cash and 57 per cent. Cairn shares. The consideration may be reduced by, among other things, compensation payments and other costs associated with the closing of the existing pension arrangements of Agora.

Under the Agora SPA certain management sellers have agreed to indemnify Cairn in respect of certain tax liabilities of the Agora group arising prior to completion. Such sellers have also given certain conventional warranties and representations in relation to the Agora group.

Certain management sellers have given non-competition and non-solicitation undertakings to Cairn. Among other things, these undertakings restrict management from providing services to, or being employed by, any small E&P business which is participating in any activities undertaken in connection with the existing petroleum licenses of Agora, any petroleum licences that are contiguous to such licences, and certain specified petroleum licences that were targeted by Agora prior to the entry into the Agora SPA. The undertakings last for a period of between 6 and 24 months, depending on the identity of the relevant member of management.

Certain of the management sellers who will receive their consideration in Cairn shares have undertaken not to sell a specified proportion of those shares at any time prior to 30 November 2012. These undertakings are subject to a number of exceptions, including disposals pursuant to a takeover of Cairn.

In addition, Lord Rothschild's family and philanthropic interests, and certain management sellers have given certain orderly market undertakings in connection with the Cairn shares that they will receive in consideration for the Acquisition. These undertakings provide that, in the case of Lord Rothschild's family and philanthropic interests and management, not more than certain specified levels of Cairn shares may be sold in any rolling period of 7 days. The undertakings cease to be binding on the relevant sellers in certain circumstances, including where the FTSE 100 Index declines or rises by 20 per cent. in the course of 5 business days, there is a full or partial nationalisation of Cairn India or there is any legal action or government investigation that could reasonably be expected to reduce the sale price of Cairn shares or prevent the sellers from selling them. The undertakings also cease to have effect from the date which is six months following completion of the Acquisition.

The Group's shareholding in Cairn India

Other than the Sale Agreement, 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 document which are, or may be, material to the Group's shareholding in Cairn India; 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 Group's shareholding in Cairn India as at the date of this document.

6. Related party transactions

- 6.1 Save as set out below, no related party transactions have been entered into by members of the Group between 1 January 2009 and 12 April 2012 (being the latest practicable date prior to the publication of this document).

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 2009, 31 December 2010 and 31 December 2011 are included in this document through the incorporation by reference of the annual reports and accounts of the Company for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

The information incorporated by reference for the period ended 31 December 2011 can be found on pages 69 to 87 and in note 6.4 on page 126 of the 2011 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2010 can be found on pages 68 to 83 and in note 34 on pages 137 and 138 of the annual report and accounts for the Company for the period ended 31 December 2010.

The information incorporated by reference for the period ended 31 December 2009 can be found on pages 62 to 77 and in note 35 on pages 139 and 140 of the annual report and accounts of the Company for the period ended 31 December 2009.

- 6.2 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 2012 to 12 April 2012 (being the latest practicable date prior to the publication of this document):

(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:

	<u>US\$m</u>
Short-term employee benefits	0.78
Pension contributions	0.08
Share-based payments	0.22
	1.08

(b) *Subsidiary Undertakings*

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

	<u>US\$m</u>
Transactions during the period	
Amounts invoiced to subsidiaries	0.86
Amounts invoiced from subsidiaries	(0.25)
Finance income – dividends received	—
	0.61
	<u>US\$m</u>
Balances as at 12 April 2012	
Amounts owed by subsidiary undertakings	675.03
Amounts owed to subsidiary undertakings	(72.66)
	602.37

7. **Litigation**

The Group

So far as the Company is aware there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which in the 12 months immediately preceding the date of this document, may have, or have had, a significant effect on the Group's financial position or profitability.

The Group's shareholding in Cairn India

So far as the Company is aware there are no governmental, legal or arbitration proceedings in relation to the Group's shareholding in Cairn India (including any such proceedings which are pending or threatened) which in the 12 months immediately preceding the date of this document, may have, or have had, a significant effect on the Group's financial position or profitability.

8. **Significant Change**

The Group

Save as set out below, there has been no significant change in the trading or financial position of the Group since 31 December 2011, being the date to which the last annual consolidated accounts of the Group were prepared.

On 14 February 2012 Cairn announced the completion of the initial purchase offer and payment of the single B Share dividend in connection with the return of cash that was approved by Shareholders on 30 January 2012. As a result, Cairn's cash resources were reduced by US\$3,551,618,353.

The Group's shareholding in Cairn India

The share price of Cairn India has risen from INR314.25 on 30 December 2011 (being the last trading day prior to the date to which the last annual consolidated accounts of the Group were prepared) to INR339.15 on 12 April 2012 (the latest practicable date before the publication of this document), leading to a 7.9 per cent. increase in the INR market value of the shareholding in Cairn India which the Group has retained following the completion of the sale to Vedanta; however, movements in the USD:INR foreign exchange rates mean that the USD market value of the shareholding has increased 11.0 per cent. over the period. As at 12 April 2012, the market value of the Group's residual interest in Cairn India was approximately US\$2.732 billion, based on an exchange rate of US\$1: INR51.589.

9. **Working Capital**

Cairn is of the opinion that the Group, following the disposal of its residual interest in Cairn India, has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

10. Treasury shares held by the Company

As at 12 April 2012 (being the latest practicable date before the publication of this document), the Company held no Ordinary Shares as treasury shares.

11. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the offices of Shepherd and Wedderburn LLP, Condor House, 10 St. Paul's Churchyard, London EC4M 8AL and at the registered office of the Company from the date of this document up to and including the date of the Annual General Meeting and will also be available for inspection for at least 15 minutes before and during the Annual General Meeting:

- (i) the Articles of Association;
- (ii) a copy of the Articles of Association showing the amendments to be proposed at the Annual General Meeting;
- (iii) the executive Directors' service contracts and non-executive Directors' letters of appointment;
- (iv) copies of the Company's annual report and accounts for 2009, 2010 and 2011; and
- (v) this document.

12. Consent

Rothschild has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.

Date: 16 April 2012

DEFINITIONS

The following definitions apply throughout this document and in the accompanying Form of Proxy, unless the context requires otherwise:

“2009 LTIP”	the Cairn Energy PLC Long Term Incentive Plan (2009);
“2009 Option Plans”	the Cairn Energy PLC Approved Share Option Plan (2009) and the Cairn Energy PLC Unapproved Share Option Plan (2009);
“Annual General Meeting”	the annual general meeting of Cairn to be held in the Sir Walter Scott Suite of the Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ at 12.00 noon (UK time) on Thursday, 17 May 2012;
“Articles of Association”	the articles of association of the Company from time to time;
“B Shares”	the unlisted limited voting preference shares of 1/13 pence each in the capital of the Company;
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which pound sterling deposits may be dealt in on the London inter-bank market and commercial banks are open for general business in London;
“Cairn India”	Cairn India Limited, incorporated in India;
“Cairn India Group”	Cairn India and its subsidiary undertakings;
“Cairn Share Schemes”	the 2009 LTIP, the Cairn Energy PLC 2002 Unapproved Share Option Plan, the Cairn Energy PLC 2003 Approved Share Option Plan, the 2009 Option Plans, the Cairn Energy PLC Replacement Share Option Plan and the SIP;
“Company” or “Cairn”	Cairn Energy PLC, a company incorporated in Scotland with registered number SC226712;
“CREST”	the relevant system for the paperless settlement of trades in securities and the holding of uncertificated securities (as defined in the Uncertificated Securities Regulations 2001 (SI. 2001 No. 3775)) operated by Euroclear;
“CREST Manual”	the current version of the CREST manual from time to time which at the date of this document is available on www.crestco.co.uk ;
“CREST Proxy Instruction”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in the place of the Shareholder at the Annual General Meeting and containing the information required to be contained therein by the CREST Manual;
“Directors” or “Board”	the board of directors of Cairn, from time to time, or, where appropriate, any duly authorised committees of it;
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules of the UKLA;
“Equiniti”	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
“Euroclear”	Euroclear UK & Ireland Limited;
“Form of Proxy”	the form of proxy enclosed with this document, for use by Shareholders in connection with the Annual General Meeting;

“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“Group”	Cairn and its subsidiary undertakings;
“Indian Stock Exchanges”	the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited;
“Listing Rules”	the listing rules made by the UKLA for the purposes of Part VI of FSMA;
“Morgan Stanley”	Morgan Stanley Securities Limited;
“Ordinary Shares”	the ordinary shares of $23\frac{1}{169}$ pence each in the capital of the Company;
“Residual Interest Disposal Authority”	the authority to dispose of or reduce Cairn’s residual interest in Cairn India, as described in this document;
“Rothschild”	N M Rothschild & Sons Limited;
“Sale Agreement”	the conditional sale agreement dated 15 August 2010 between Cairn UK Holdings Limited, Cairn, Twinstar Energy Holdings Limited and Vedanta (as amended from time to time);
“Shareholders”	holders of Ordinary Shares and/or B Shares, as the context may require;
“SIP”	the Cairn Energy PLC 2010 Share Incentive Plan;
“UKLA”	the FSA acting in its capacity as a competent authority for the purposes of Part VI of FSMA;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“US” or “United States”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia; and
“Vedanta”	Vedanta Resources plc, incorporated in England and Wales with registered number 04740415.

CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “**Meeting**”) of Cairn Energy PLC (the “**Company**”) will be held in the Sir Walter Scott Suite of the Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ at 12 noon (UK time) on Thursday 17 May 2012 for the following purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 14 and 18 will be proposed as ordinary resolutions and resolutions 15 to 17 and 19 will be proposed as special resolutions:

1. That the report and accounts for the year ended 31 December 2011 be received.
2. That the Directors’ Remuneration Report contained in the above report and accounts be approved.
3. That Ernst & Young LLP be reappointed as auditors of the Company.
4. That the directors be authorised to fix the auditors’ remuneration.
5. That Sir Bill Gammell be re-elected as a director.
6. That Todd Hunt be re-elected as a director.
7. That Iain McLaren be re-elected as a director.
8. That Dr James Buckee be re-elected as a director.
9. That Alexander Berger be re-elected as a director.
10. That M. Jacqueline Sheppard QC be re-elected as a director.
11. That Simon Thomson be re-elected as a director.
12. That Dr Mike Watts be re-elected as a director.
13. That Jann Brown be re-elected as a director.
14. That:
 - (a) the directors of the Company (the “**Directors**”) be generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, up to a maximum nominal amount of £2,527,019.99;
 - (b) in addition to the authority contained in sub-paragraph (a) of this resolution, the Directors be authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, comprising equity securities (within the meaning of section 560(1) of the Companies Act 2006 (as amended) (the “**Act**”) up to a maximum nominal amount of £2,527,019.99 in connection with a Pre-Emptive Offer undertaken by means of a rights issue;
 - (c) the authorities given by this resolution:
 - (i) are given pursuant to section 551 of the Act and shall be in substitution for all pre-existing authorities under that section; and
 - (ii) unless renewed, revoked or varied in accordance with the Act, shall expire on 30 June 2013 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2013, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry; and

- (d) for the purpose of this Resolution, “**Pre-Emptive Offer**” means an offer of equity securities to:
- (i) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and
 - (ii) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them,

in each case, subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractional entitlements, legal, regulatory or practical problems under the laws or the requirements of any regulatory body or stock exchange of any territory or otherwise.

15. That:

- (a) subject to the passing of resolution 14 set out in the notice of Annual General Meeting dated 16 April 2012 (the “**Allotment Authority**”), the directors of the Company be given power pursuant to section 570 of the Companies Act 2006 (as amended) (the “**Act**”) to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities or the sale of treasury shares:
 - (i) in the case of paragraph (a) of the Allotment Authority:
 - (a) in connection with a Pre-Emptive Offer (as defined in the Allotment Authority); or
 - (b) otherwise than in connection with a Pre-Emptive Offer, up to a maximum nominal amount of £379,090.91;
 - (ii) in the case of paragraph (b) of the Allotment Authority, in connection with a Pre-Emptive Offer undertaken by means of a rights issue; and
- (b) the power given by this resolution:
 - (i) shall be in substitution for all pre-existing powers under section 570 of the Act; and
 - (ii) unless renewed in accordance with the Act, shall expire at the same time as the Allotment Authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry.

16. That, in substitution for any existing authority, the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (as amended) (the “**Act**”), to make market purchases (within the meaning of section 693 of the Act) of fully-paid ordinary shares of $23\frac{1}{169}$ pence each (‘**Ordinary Shares**’) on such terms and in such manner as the directors of the Company may decide provided that:

- (i) the maximum number of Ordinary Shares that may be purchased by the Company pursuant to this authority is 83,147,600 (representing approximately 14.99% of the Company’s issued ordinary share capital at 12 April 2012);
- (ii) the minimum price (exclusive of expenses) which may be paid for any such Ordinary Share shall not be less than the nominal value of that share at the time of purchase;
- (iii) the maximum price (exclusive of expenses) which may be paid for any Ordinary Share purchased pursuant to this authority is an amount equal to the higher of (a) an amount equal to 105% of the average of the middle market prices shown in the quotations for the Company’s Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and (b) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from the London Stock Exchange Trading System (SETs); and

- (iv) unless previously varied, revoked or renewed, the authority conferred by this resolution shall expire on the earlier of 30 June 2013 or at the end of the next annual general meeting of the Company to be held in 2013, but the Company may make a contract to purchase Ordinary Shares under this authority before its expiry which will or may be completed wholly or partly after the expiry of this authority, and may complete such a purchase as if this authority had not expired.
17. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the end of the next annual general meeting of the Company to be held in 2013.
18. That:
- (a) any disposals by the Company or any subsidiary undertaking of the Company of any or all shares in Cairn India Limited held by it at or as close as reasonably possible to the prevailing market price if and when the Company considers it appropriate and in the best interests of shareholders as a whole to make such disposals (“**Disposals**”) be approved;
- (b) the directors of the Company (or a duly authorised committee thereof) be authorised to take all steps as they consider necessary or appropriate to effect any Disposals; and
- (c) the power given by this authority:
- (i) shall be in substitution for any existing authority; and
- (ii) unless previously varied, revoked or renewed, the authority conferred by this resolution shall expire on the earlier of 30 June 2013 or at the end of the next annual general meeting of the Company to be held in 2013.
19. That the articles of association of the Company be amended in the manner set out in the list of amendments produced to the meeting and signed by the Chairman for the purposes of identification.

By Order of the Board

Duncan Wood
Company Secretary
50 Lothian Road
Edinburgh EH3 9BY

16 April 2012

Shareholder Notes:

1. A member of the Company entitled to attend and vote at the 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 Meeting to represent you. A form of proxy accompanies this Notice of Annual 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 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 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 0871 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. (London time) on any Business Day. Calls to 0871 384 2660 are charged at 8 pence per minute from a BT landline. Other service providers' costs may vary. Calls to +44 121 415 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 Annual 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 Annual General Meeting to be held on 17 May 2012 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.

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 on Tuesday, 15 May 2012, or, in the event that the Meeting is adjourned, not less than 48 hours before the time appointed for the adjourned 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.

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/CREST. 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.

4. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different Ordinary Shares. You may not appoint more than one proxy to exercise rights attached to any one Ordinary Share. To appoint more than one proxy, please contact the Registrars on 0871 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. (London time) on any Business Day. Please note that calls to these numbers may be monitored and recorded. Calls to 0871 384 2660 are charged at 8 pence per minute from a BT landline. Other service providers' costs may vary. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.
5. 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.
6. 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 Ordinary Shares.
7. To be entitled to attend and vote at the 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

6.00pm on Tuesday, 15 May 2012 (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 attend and vote at the meeting.

8. As at 5.00pm on 12 April 2012 (being the latest practicable time before printing this Notice of Annual General Meeting), the Company's issued share capital comprised 554,687,127 ordinary shares of $23\frac{1}{169}$ pence each and 9,023,667 limited voting preference shares of $\frac{1}{13}$ pence each ("**B Shares**"). Each such ordinary share carries the right to one vote at a general meeting of the Company; each B Share does not carry the right to vote at a general meeting of the Company unless the business of the meeting includes the consideration of a resolution for the winding up of the Company. Therefore, the total number of voting rights in the Company as at 5.00pm on 12 April 2012 was 554,687,127.
9. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Annual General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the 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 Annual General Meeting will be available on the Company's website at www.cairnenergy.com.
10. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. Under section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's Accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
12. A member may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purpose other than those expressly stated.
13. This Notice of Annual General Meeting should be read in conjunction with the sections of the Annual Report and Accounts of the Company for 2011 entitled 'Board of Directors', 'Directors' Report', 'Corporate Governance Statement', and 'Directors' Remuneration Report'.

