

**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 2015 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.

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## **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**

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**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 2016 Annual General Meeting of Cairn to be held in the Castle Suite of The Caledonian, a Waldorf Astoria Hotel, Princes Street, Edinburgh EH1 2AB at 12.00 noon (BST) on Thursday 12 May 2016, 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 (BST) on Tuesday 10 May 2016. Alternatively, you may register your proxy appointment or voting directions electronically via the [www.sharevote.co.uk](http://www.sharevote.co.uk) website not later than 12.00 noon (BST) on Tuesday 10 May 2016 (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 (BST) on Tuesday 10 May 2016. 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 8 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 of this document. 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 0371 384 2660 (for calls from within the United Kingdom) and +44 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (BST) on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

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)*

Ian Tyler (Non-Executive Chairman)  
Todd Hunt (Non-Executive Director)  
Iain McLaren (Non-Executive Director)  
Alexander Berger (Non-Executive Director)  
Jackie Sheppard (Non-Executive Director)  
Keith Lough (Non-Executive Director)  
Peter Kallos (Non-Executive Director)  
Simon Thomson (Chief Executive)  
James Smith (Chief Financial Officer)

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

**6 April 2016**

*To Shareholders*

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 Castle Suite of The Caledonian, a Waldorf Astoria Hotel, Princes Street, Edinburgh EH1 2AB at 12.00 noon (BST) on Thursday 12 May 2016. Enclosed with this letter are the 2015 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. 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 (renewed at last year's annual general meeting held on 14 May 2015) 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 further 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. Changes to the Board**

As part of its Cairn's long term succession planning, a number of significant changes to the Board have taken effect since last year's annual general meeting:-

- Keith Lough was appointed as a non-executive director following the annual general meeting on 14 May 2015; and
- Peter Kallos was appointed as a non-executive director with effect from 1 September 2015.

Following these changes, the Board currently comprises me as Chairman; two executive directors (the Chief Executive and CFO); and six non-executive directors, all but one of whom are independent. The Company recognises that, in view of the characteristics of independence set out in the UK Corporate Governance Code, Todd Hunt can no longer technically be considered to be an independent non-executive director given his length of service. The Board is confident that Mr Hunt's judgement remains independent and that he should continue as a non-executive director. The Company believes that given the current state of the industry having the experience and knowledge of Mr Hunt as a member of the Board will be of significant value to the Company. Therefore, Mr Hunt will stand for re-election at the Annual General Meeting.

### **3. Indian Income Tax Department enquiry**

As previously announced by the Company, the Indian Income Tax Department has opened an enquiry in respect of certain intra-Group transactions undertaken in the fiscal year ended 31 March 2007, which cites a retrospective amendment to Indian tax law introduced in 2012 as the basis of the enquiry. On 4 February 2016, CUHL, Cairn's subsidiary, received a final assessment order issued by the Indian Income Tax Department in the amount of INR 102 billion (approximately US\$1.6 billion) plus interest back dated to 2007 totalling INR 118 billion (approximately US\$2.8 billion). The aggregate amount of INR 290 billion (approximately US\$4.4 billion) excludes any applicable penalties which may also be applied to the final assessment (potentially up to 100% of the final assessment order, excluding interest). Cairn strongly contests the final assessment proceedings in India and is pursuing its rights under Indian law to appeal the assessment, both in respect of the basis of taxation and the quantum assessed and to protect from enforcement against the assets of CUHL. Enforcement of any tax liability deemed due by the Indian Income Tax Department will be limited to the assets of CUHL which have a current value of approximately US\$477 million, and comprise principally Cairn's residual 10% shareholding in Cairn India, which has already been provisionally attached by the Indian Income Tax Department.

As a result of the actions taken by the Indian Income Tax Department on 11 March 2015 Cairn filed a Notice of Dispute under The UK-India Investment Treaty (the “Treaty”) in order to protect its legal position and shareholder interests. The international arbitration proceedings formally commenced in January 2016 following the agreement between Cairn and the Government of India on the appointment of a panel of three international arbitrators under the terms of the UK-India Investment Treaty. Cairn strongly contests the basis of the assessment order and the Notice of Dispute is supported by detailed legal advice on the strength of the legal protections available to it under international law. While interactions are ongoing with the Indian Income Tax Department, Cairn continues to be restricted from selling its shares in Cairn India and from accessing the related dividends. In addition to the resolution of the tax dispute, Cairn also seeks full recompense for the loss of value resulting from the restriction on its shares in Cairn India.

### **4. Proposed Merger of Vedanta and Cairn India**

On 14 June 2015 the Board of Directors of Vedanta Limited and Cairn India at their respective meetings approved the Scheme of Arrangement (the “Scheme”) between Vedanta Limited and Cairn India regarding a proposed merger of Vedanta Limited and Cairn India, subject to shareholder, regulatory and other approvals. Under the Scheme minority shareholders in Cairn India would receive, for each Cairn India share, one equity share in Vedanta Limited, and one redeemable preference share in Vedanta Limited, with a face value of INR10. On 10 September 2015, BSE Limited and the National Stock Exchange of India Limited issued the ‘No adverse observation’ letter to the Scheme. We understand that Cairn India will hold its shareholder meeting in H1 2016 and if the Scheme is approved it will continue towards completion of the transaction. Cairn notes the announcement regarding the Scheme and will assess whether the proposal is in the interests of Cairn as the largest minority shareholder in Cairn India in due course.

### **5. Background to and terms of Residual Interest Disposal Authority**

The Company's residual interest of approximately 10% of Cairn India represents a substantial proportion of the Group's assets and therefore, due to its size, the sale of all, or a substantial part of, the residual interest currently requires Shareholder approval under the Listing Rules. As noted above, at last year's annual general meeting held on 14 May 2015, Shareholders authorised the Board to dispose of all or part of the Company's then residual interest. As also noted above, Cairn is at present restricted by the Indian Income Tax Department from selling its shares in Cairn India. Nevertheless, Cairn believes it is appropriate to retain the flexibility to realise Shareholder value from its residual interest in Cairn India (or any subsequent shares held by Cairn as a result of the Scheme as detailed in paragraph 4 above) in the event that the Company is free to make such a disposal.

The Board continues to believe that, in order to obtain the best terms, Cairn may need to make disposals via on-market transactions which would not be possible if such sales had to be subject to Shareholder approval at the time. 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 (or any subsequent shares held by Cairn as a result of the Scheme as detailed in paragraph 4 above) 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, but the risk of completing the disposal will remain with Cairn. Disposals could also include participating in any share buy-back programme by Cairn India or any merger or offer involving Cairn India.

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. No decision has been taken as at the date of the document on how the net proceeds of any such sale(s) will be applied.

Provided that the resolution is passed at the Annual General Meeting, the Residual Interest Disposal Authority, unless renewed, will expire on the earlier of 30 June 2017 (the last date on which the Company's annual general meeting for 2017 could be held) or at the end of the Company's annual general meeting for 2017. 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.

## 6. 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\$4.3 billion based on an exchange rate of US\$1: INR66.07 (as at 4 April 2016). Cairn India is one of the largest oil and gas exploration and production companies in India. Together with its joint venture partners, Cairn India accounted for 27% of India's domestic crude oil production in the Indian fiscal year 2015. Average gross operated production was 205,909 boepd for 9 months ending Indian fiscal year 2016. The company sells its oil and gas to major public sector undertakings and private buyers in India.

Cairn India has a world-class resource base, with interests in seven blocks in India, one block in Sri Lanka and one block in South Africa. It currently produces from three blocks in India:

- Rajasthan: a 70% operated working interest in three contiguous development areas covering 3,111km<sup>2</sup> in Rajasthan. Development Area (DA) 1 (1,859km<sup>2</sup>) includes discoveries namely Mangala, Aishwariya, Raageshwari and Saraswati. DA2 (430km<sup>2</sup>) includes the Bhagyam and Shakti fields. DA3 (822km<sup>2</sup>) comprises of the Kaaameshwari West Development Area. ONGC is Cairn India's joint venture partner in Rajasthan with a 30% participating interest.
- Ravva: Cairn India's operations in this area are centred around the Ravva oil and gas field in the Krishna-Godavari Basin, lying off the coast of Andhra Pradesh in Eastern India. Cairn India is the operator with a 22.5% participating interest.
- Cambay: Cairn India's operations in the block are centred on the Lakshmi and Gauri oil and gas fields in the west coast of India. Cairn India is the operator with 40% participating interest.

Cairn India's other India and international assets comprise the following:

- Krishna-Godavari Basin Offshore: Drilling is anticipated to commence in Q3 of the financial year to 31 March 2017, subject to all statutory clearances. Cairn India is the operator with a 100% participating interest.
- Krishna-Godavari Basin Onshore: This project is in the pre-development phase. Cairn India has a 49% participating interest. Operatorship was transferred to the Oil and Natural Gas Corporation with effect from 7 July 2014
- Mumbai Offshore: Cairn India is evaluating options regarding further exploration of the block. Cairn India is the operator with a 100% participating interest.
- Palar-Pennar: Cairn India is in discussions with its joint venture partners regarding timelines for fulfilling its obligations in the block. Cairn India is the operator with a 35% participating interest.
- Sri Lanka: Cairn India drilled four exploration wells in Block SL 2007-01-001 in resulting in two gas discoveries. The discoveries were determined as not commercial viable by Cairn India. The exploration license for the block expired in October 2015 and block closure documents have been submitted to the Petroleum Resources Development Secretariat, the regulatory authority for petroleum resources in Sri Lanka and they are in the process of finalising closure. Cairn India is the operator with a 100% participating interest.
- South Africa: Derisking of inboard leads in prospects is ongoing. Cairn India is the operator with a 60% participating interest.

Cairn India management's internal estimates of hydrocarbon reserves and resources as at 31 March 2015 were:

<u>Particulars</u>	<u>Gross proved and probable hydrocarbons initially in place (mmboe)</u>		<u>Gross proved and probable reserves and resources (mmboe)</u>		<u>Net working interest proved and probable reserves and resources (mmboe)</u>	
	<u>31 March 2015</u>	<u>31 March 2014</u>	<u>31 March 2015</u>	<u>31 March 2014</u>	<u>31 March 2015</u>	<u>31 March 2014</u>
Rajasthan MBA Fields	2,208	2,208	545	594	382	416
Rajasthan MBA EOR	—	—	226	271	158	190
Rajasthan Block Other Fields	3,833	2,412	505	345	353	241
Ravva fields	684	667	47	49	11	11
CB-OS/2 Fields (Cambay)	220	217	24	22	9	9
Other fields	481	551	74	127	36	89
	<b><u>7,426</u></b>	<b><u>6,055</u></b>	<b><u>1,421</u></b>	<b><u>1,408</u></b>	<b><u>949</u></b>	<b><u>956</u></b>

Source: Cairn India Annual Report and Accounts 31 March 2015

Cairn India Group's net working interest proved and probable reserves as at 31 March 2015 was as follows:

<u>Particulars</u>	<u>Gross proved and probable reserves</u>		<u>Proved and probable reserves (developed)</u>	
	<u>Oil (mmstb)</u>	<u>Gas (bscf)</u>	<u>Oil (mmstb)</u>	<u>Gas (bscf)</u>
<b>Reserves as of 1 April 2013*</b>	<b>279.57</b>	<b>18.58</b>	<b>182.38</b>	<b>17.17</b>
Additions / revision during the year	31.41	59.53	34.84	7.95
Production during the year	49.00	6.85	49.00	6.85
<b>Reserves as of 31 March 2014**</b>	<b>261.98</b>	<b>71.26</b>	<b>168.22</b>	<b>18.27</b>
Additions / revision during the year	5.63	20.79	25.66	11.38
Production during the year	47.67	5.72	47.67	5.72
<b>Reserves as of 31 March 2015***</b>	<b>219.94</b>	<b>86.33</b>	<b>146.21</b>	<b>23.93</b>

Source: Cairn India Annual Report and Accounts 31 March 2015

The estimates of reserves and resources have been derived in accordance with the Society for Petroleum Engineers "Petroleum Resources Management System (2007)".

\* Includes probable oil reserves of 74.07 mmstb (of which 35.76 mmstb is developed) and probable gas reserves of 11.06 bscf (of which 9.70 bscf is developed)

\*\* Includes probable oil reserves of 84.23 mmstb (of which 32.08 mmstb is developed) and probable gas reserves of 51.70 bscf (of which 9.15 bscf is developed)

\*\*\* Includes probable oil reserves of 67.81 mmstb (of which 23.43 mmstb is developed) and probable gas reserves of 62.71 bscf (of which 7.03 bscf is developed)

mmboe = million barrels of oil equivalent

mmstb = million stock tank barrels

bscf = billion standard cubic feet

1 million metric tonnes = 7.4 mmstb

1 standard cubic meter = 35.315 standard cubic feet

MBA = Mangala, Bhagyan & Aishwarya

EOR= Enhanced Oil Recovery

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

<u>Month</u>	<u>Closing Share price (INR)</u>	<u>Imputed value of entire holding (INRm)</u>	<u>Imputed value of entire holding (US\$m)</u>
October 2015	153.4	28,245	432
November 2015	134.5	24,765	372
December 2015	138.1	25,428	384
January 2016	122.1	22,491	331
February 2016	117.9	21,718	318
March 2016	153.8	28,328	428
4 April 2016 (latest practicable date)	151.9	27,969	423

Source: Bloomberg

As at 4 April 2016, being the latest practicable date prior to the publication of this document, neither the Company nor any member of the Group had received any dividend or other distribution from Cairn India during the previous three years save for: (i) the dividend with total aggregate amount of US\$21,322,612.96 (based on the then applicable exchange rate of US\$1:INR59.8020) paid by Cairn India to CUHL on 31 July 2013; and (ii) the dividend with total aggregate amount of \$19,180,308.80 (based on the then applicable exchange rate of US\$1:INR61.3675) paid by Cairn India to CUHL on 31 October 2013.

Subject to the Indian Income Tax Department restriction being removed, CUHL is entitled to the following dividends from Cairn India: (i) the dividend with total aggregate amount of US\$20,023,715.34 (based on the then applicable exchange rate of US\$1:59.7700) held by Cairn India in escrow for CUHL from 10 July 2014; (ii) the dividend with total aggregate amount of US\$15,134,453.72 (based on the then applicable exchange rate of US\$1:60.8300) held by Cairn India in escrow for CUHL from 23 September 2014; and (iii) the dividend with total aggregate amount of US\$11,605,784 (based on the then applicable exchange rate of US\$1:63.46) held by Cairn India in escrow for CUHL from 21 July 2015;

The Company retains a residual shareholding in Cairn India of approximately 10% which is held as an available for sale financial asset on the Group's balance sheet. As at 31 December 2015, the fair value of the Company's residual interest in Cairn India was US\$384 million (extracted without material adjustment from the Group's audited consolidated financial accounts for the year ended 31 December 2015). As at 4 April 2016, 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\$423 million, based on an exchange rate of US\$1:INR66.07. The Company's future results will reflect any disposals of Cairn India shares through a reduction in available for sale financial assets, on a marked-to-market basis, and corresponding increase in cash, subject to that cash being redeployed elsewhere within the business of the Group. 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.

The information on CIL contained in this section has been extracted from publicly available sources; other than to ensure that such information is correctly extracted the Directors have not verified the information.

## **7. Current trading and prospects**

On 15 March 2016, the Company published its results for the year ending 31 December 2015, which contained the following statements:

Cairn is in a strong position: we have a robust financial base, our North Sea development projects are on track, but perhaps most importantly, we are in the midst of an extremely promising appraisal and further exploration programme in Senegal, which we believe can create significant value for all our stakeholders by proving additional resource on the acreage.

Following the two world class discoveries in Senegal in 2014, our focus in 2015 was on evaluating the discoveries and drawing up work plans to take advantage of this exceptionally attractive opportunity. We are proud to have opened up a new oil province in Senegal and to have done so with two consecutive exploration well successes within such a large acreage position.

The ongoing drilling programme in Senegal aims to optimise our understanding of the resource base by gathering further data; and to do so as safely, more efficiently and at a lower cost than the initial exploration phase. We are building on the knowledge we have gained since 2014 which has enabled us to improve our logistics, approvals and clearances and overall drilling performance. We have also built on our excellent onshore HSE record and extended that into the offshore environment, working closely with the drilling contractor and service companies. Drilling time on the campaign to date is ahead of expectations.

Following the first appraisal well (SNE-2), Cairn's 2C resource estimate for the SNE field has now increased by 20 percent to 385 million barrels. The positive results of the recent SNE-3 appraisal well are being evaluated and, in combination with ongoing activity, provide the potential for further revisions to resource estimates for the SNE field. The third well (BEL-1) commenced operations in March.

The current programme will increase our understanding of existing discoveries, as well as evaluate prospects and help to plan the longer-term development of the field.

Alongside our activities in Senegal, Cairn has built an attractive mature basin position in the North Sea where our two key UK development projects are supported by a strong balance sheet to take them through to first oil and deliver the cashflows that will sustain our balanced portfolio over the longer term. Catcher remains on schedule and under budget to date and Kraken is also on schedule and under budget with forward capex costs reduced by more than ten percent. We continue to build our North Sea portfolio and we were pleased to be awarded five new Norwegian licences in Q1 2016, including our first as Operator.

In February 2016, Cairn announced the acquisition of an additional 4.5% interest in the Kraken development in the UK North Sea from First Oil plc bringing Cairn's total working interest to 29.5%. There was a nominal cash consideration payable in respect of the transaction however Cairn will waive its right to reclaim approximately US\$3m of cash calls paid on behalf of First Oil in January and February 2016.

Finally, international arbitration proceedings have commenced with the Government of India to seek resolution of the ongoing retrospective tax dispute. Our claim also seeks to recoup in full the value of which we have been deprived, approximately US\$1 billion. The total assets of the Cairn subsidiary against which the Indian Tax Authorities are seeking to pursue a tax claim are US\$477m, including primarily the group's ~10% shareholding in CIL and any recovery by the authorities would be limited to these assets.

As a result of its significant value potential, Senegal will be the key focus for Cairn in 2016. Our attention is on confirming the scale of our Senegal discovery, expanding the resource base and moving it towards commercialisation. Our two developments in the UK North Sea remain on schedule and on budget with first oil from 2017. This activity is set against a backdrop of a balanced, well-funded company with a continued focus on allocation of capital and resources. We are well placed to take advantage of this exciting opportunity.

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

## **8. Summary explanation of the resolutions to be proposed at the Annual General Meeting**

There are 17 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% of the votes cast are in favour. Resolutions 15, 16 and 17 are to be proposed as special resolutions and accordingly will be passed if at least 75% 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 auditor's report for the year ended 31 December 2015, 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 81 to 104 (inclusive) of the 2015 Annual Report and Accounts and this resolution seeks approval of the report. In accordance with the Companies Act 2006, the vote on this resolution is advisory and no Director's remuneration is conditional upon the passing of this resolution.

At the annual general meeting held on 15 May 2014, Shareholders approved a new directors' remuneration policy for the Company. As the Company does not propose to make any changes to this policy in 2016, it does not require to be re-approved by Shareholders at the Annual General Meeting. Although the Company is not required to do so, the substantive terms of the directors' remuneration policy are repeated in the 2015 directors' remuneration report for ease of reference.

3      The Company is required to appoint an auditor at each general meeting at which accounts are laid before Shareholders, to hold office until the end of the next such meeting. PricewaterhouseCoopers LLP have expressed their willingness to continue as auditor and this resolution proposes their re-appointment as the Company's auditor.

4      Resolution 4 seeks authority for the Directors to determine the auditor's remuneration.

5 to 13 In accordance with the UK Corporate Governance Code, Ian Tyler, Todd Hunt, Iain McLaren, Alexander Berger, Jackie Sheppard, Keith Lough, Peter Kallos, Simon Thomson and James Smith 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 62 and 63 of the 2015 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 61 to 75 of the 2015 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 68 of the 2015 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 £2,625,745.77, representing approximately 33.33% of the Company's total issued ordinary share capital (excluding treasury shares) as at 4 April 2016, 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 £2,625,745.77, representing approximately 33.33% of the Company's total issued ordinary share capital (excluding treasury shares) as at 4 April 2016, 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 2017 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2017.

As at 4 April 2016, being the latest practicable date prior to publication of this document, the Company did not hold any shares in treasury.

15 Resolution 15 is to approve the disapplication of pre-emption rights. 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(1) of the Companies Act 2006 did not apply:

- (a) in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority granted by resolution 14; and
- (b) otherwise up to a total amount of £393,901.26, representing approximately 5% of the Company's total issued ordinary share capital as at 4 April 2016, 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 14.99% of the issued ordinary share capital of the Company as at 4 April 2016, being 86,396,016 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 231/169 pence, being the nominal value of an Ordinary Share.

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 2017 or the conclusion of the annual general meeting of the Company to be held in 2017, unless previously revoked, varied or renewed by the Company in a general meeting. The Directors intend to seek renewal of this authority at subsequent annual general meetings.

As at 4 April 2016, options to subscribe for shares were outstanding over an aggregate of 10,814,744 Ordinary Shares (representing approximately 1.88% of the issued ordinary share capital of the Company as at 4 April 2015). If the new authority was granted at the Annual General Meeting and was then utilised in full, the options outstanding at 4 April 2016 would represent approximately 2.21% of the issued 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 2015, 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 16 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 2017, 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 4 above be approved.

## 9. 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 (BST) on Tuesday, 10 May 2016. Alternatively, you may register your proxy appointment or voting directions electronically via the [www.sharevote.co.uk](http://www.sharevote.co.uk) website not later than 12.00 noon (BST) on Tuesday, 10 May 2016. Further information regarding the use of this facility is set out in the notes to the Notice. 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 (BST) on Tuesday, 10 May 2016. 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 0371 384 2660 (for calls from within the United Kingdom) and +44 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (BST) on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

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

## 10. Further information

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

## 11. 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 884,763 Ordinary Shares representing approximately 0.154% of the current issued ordinary share capital of Cairn (as at 4 April 2016, being the latest practicable date prior to the publication of this document).

Yours faithfully,



Ian Tyler  
*Chairman*

## **PART II**

### **RISK FACTORS**

*Shareholders should carefully consider, in addition to the other information set out in this document, the risk factors set out below. The Company considers that these risk factors are: (i) the known material risk factors that are risks connected to the Residual Interest Disposal Authority; (ii) the new risks to the Group which could arise as a result of the exercise of the Residual Interest Disposal Authority; or (iii) the existing risks to the Group which will be impacted by the exercise of the Residual Interest Disposal Authority. Any of the risks set out 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.*

#### ***The Group may be unable to implement its growth strategy***

Cairn's strategy is to deliver value for shareholders from the discovery and development of hydrocarbons within a sustainable, self-funding business model. In order to deliver this strategy, the Group looks to add new exploration opportunities, for which there is significant competition from other exploration and production companies. Further sales of Cairn's residual interest in Cairn India are expected to be utilised in part to advance this strategy and will increase Cairn's exposure to new exploration, appraisal and development opportunities. There can be no assurance that the Group will continue to implement this strategy successfully 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 Senegal, Morocco, Mauritania, the UK, Republic of Ireland, Norway, Greenland and Malta, being subject to ongoing evaluation and/or an exploration work programme. Successful exploration and development of this acreage, as well as any other new acreage acquired by Cairn, will become increasingly important to Cairn's continued success as it exits its retained interest in Cairn India. There can be no assurance that the Group's future exploration and development activities will result in the discovery and exploitation 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.

#### ***Increased cash resources will require prudent and secure investment***

Following completion of the sale of the retained shareholding, the Group will have a significant amount of cash which will require investment and increases the treasury risk. Every investment involves some degree of risk. There is a risk, therefore, that the Group's investments are exposed to volatile market conditions or other risk factors and do not perform as well as expected.

#### ***Failure to approve the Residual Interest Disposal Authority***

Failure of Shareholders to approve the Residual Interest Disposal Authority will mean that Cairn will be limited in its ability to complete on-market transactions in respect of its residual interest in Cairn India. This may mean that Cairn is unable to take advantage of opportunities to maximise sale proceeds, in the event Cairn determines that it is in the best interests of Shareholders as a whole to dispose of some or all of its residual interest in Cairn India.

#### ***Indian Income Tax Department restriction on sales of the residual interest in Cairn India***

As previously announced by the Company, the Indian Income Tax Department has opened an enquiry in respect of intra-Group transactions undertaken in the fiscal year ended 31 March 2007 and on 4 February 2016, CUHL received a final assessment order from the Indian Income Tax Department to the amount of INR 102.4 billion (approximately US\$1.6 billion) plus interest back dated to 2007 totalling INR 118 billion (approximately US\$2.8 billion). The aggregate amount of INR 290 billion (approximately US\$4.4 billion) excludes any applicable penalties which may also be applied to the final assessment. The quantum of any applicable penalties has yet to be determined but potentially could be up to a 100% of the final assessment order (excluding interest). Further to this, Cairn re-confirmed with its advisers that throughout its history of operating in India the Company was fully compliant with the tax legislation in force in each year. The correspondence received from the Indian Income Tax Department cites that the enquiry is a consequence of amendments introduced in the 2012 Indian Finance Act which have retrospective effect. While the interactions with the Indian Income Tax Department continue, Cairn has been restricted from selling its shares in Cairn India and from accessing the related dividend income of

approximately US\$43 million (as at 31 December 2015). Enforcement of any tax liability deemed due by the Indian Income Tax Department will be limited to the assets of CUHL which have a current value of US\$477 million, and comprise principally Cairn's residual 10% shareholding in Cairn India, which has already been provisionally attached by the Indian Income Tax Department. Cairn strongly contests the basis of the assessment order and on 15 March 2015 filed a Notice of Dispute under The UK-India Investment Treaty (the "Treaty"). The international arbitration proceedings formally commenced in January 2016 following the agreement between Cairn and the Government of India on the appointment of a panel of three international arbitrators under the terms of the Treaty. Cairn is confident of its case under international law that the protections afforded by the Treaty have been breached by the actions of the Indian Income Tax Department in seeking to retrospectively tax an intra-group restructuring and restrict the Company's ability to sell its residual interest in Cairn India. The Company is unable to determine how long the selling restriction will remain in place, however while it does remain in place, Cairn is unlikely to be able to take advantage of opportunities to maximise sale proceeds and there remains a risk that any determination or resolution of this matter could result in a liability due by CUHL to the Indian Income Tax Department.

***The value of the residual interest in Cairn India is determined by factors outside of the Group's control***

The retained shareholding in Cairn India represents a significant proportion of the Group's value but the Group no longer controls Cairn India and has very limited ability to influence the performance of Cairn India. Any failure by Cairn India in successfully managing and developing its business and/or the occurrence of any negative operational or market events could have a material adverse effect on the market value of the Group's retained interest in Cairn India and on its ability to realise value from the retained interest. The proposed merger between Vedanta Limited and Cairn India also remains subject to shareholder and regulatory approval and the outcome of this proposed Scheme is unknown. If the Scheme is approved Cairn will acquire shares in Vedanta Limited and will have a very limited influence over the performance and business of the combined Cairn India/Vedanta Limited group or on any factors which could have an impact on the market value of its interest in Vedanta Limited or on its ability to realise value from the retained interest.

Similarly, the oil price is a factor outside of the Group's control which could have an adverse effect on the market value of the Group's retained interest in Cairn India (or Vedanta Limited) and on its ability to realise value from the retained interest.

***Liability for certain obligations of the Cairn India Group***

Following completion of the sale of a majority shareholding in Cairn India to Vedanta in January 2012, Vedanta has submitted parent company guarantees ("PCGs") to the Government of India ("GOI") in respect of certain obligations of members of the Cairn India Group under existing Production Sharing Contracts 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 GOI 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 Production Sharing Contract for a block relinquished by Cairn India. Although all conditions and obligations under the Production Sharing Contract have been satisfied by Cairn India, due to a force majeure event, the obligations were satisfied late and the GOI has disputed whether the obligations were satisfied within the necessary timeframe, thus delaying the relinquishment and release of the PCG. Cairn India is disputing the GOI's position. 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 even if the Group were to dispose of all or part of its residual holding in Cairn India.

## PART III

### ADDITIONAL INFORMATION

#### 1. Responsibility statements

The Company and 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 Company and 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 4 April 2016 (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>
Ian Tyler	Nil	Nil
Todd Hunt	72,012	0.012%
Iain McLaren	7,878	0.001%
Alexander Berger	40,008	0.007%
Jackie Sheppard	7,000	0.001%
Keith Lough	Nil	Nil
Peter Kallos	Nil	Nil
Simon Thomson <sup>(3)</sup>	695,012	0.121%
James Smith <sup>(3)</sup>	62,853	0.011%

\* (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 4 April 2016 (being the latest practicable date prior to the publication of this document).

(2) The interests of the Directors in Ordinary Shares together represent 0.154% (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company as at 4 April 2016 (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.

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 4 April 2016 (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>
Richard Heaton, Director of Exploration <sup>(2)</sup>	829,702	0.144%
Paul Mayland, Chief Operating Officer <sup>(2)</sup>	109,876	0.019%
Douglas Taylor, Deputy Finance Director <sup>(2)</sup>	81,474	0.014%
Richard Ember, Regional Director (International) <sup>(2)</sup>	Nil	Nil
Brita Holstad, Regional Director (UK & Norway) / Managing Director of Capricorn Norge AS <sup>(3)</sup>	Nil	Nil
Miles Warner, General Manager Senegal	Nil	Nil

\* (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 4 April 2016 (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.
- (3) Ms Holstad does not participate in the SIP as she is not a UK resident taxpayer.

2.4 As at 4 April 2016 (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)
	Unvested Awards still subject to performance conditions	Vested but Unexercised Awards <sup>(1)</sup>	
<b>Director</b>			
Simon Thomson	2,693,978	291,181	
James Smith	1,752,180	Nil	
<b>PDMR</b>			
Richard Heaton	1,487,735	125,768	
Paul Mayland	1,476,427	146,786	
Douglas Taylor	547,346	60,638	
Richard Ember	433,615	Nil	
Brita Holstad	683,851	Nil	
Miles Warner	206,111	Nil	

Note:

- (1) This column includes all outstanding awards that have vested following the expiry of the applicable performance period, regardless of whether or not they are currently capable of being exercised under the rules of the 2009 LTIP.

2.5 As at 4 April 2016 (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 10,814,744 (representing approximately 1.88% of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

2.6 If the authority in resolution 15 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 4 April 2016 (being the latest practicable date prior to publication of this document) would represent 2.21% of the issued ordinary share capital of the Company.

### 3. Major Interests

3.1 Insofar as is known to the Company, as at 4 April 2016 (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 of 3% or more of the issued ordinary share capital of the Company, and the amount of each person's interest, was as follows:

Shareholder	Number of shares	% at 04/04/16
MFS Investment Management	81,579,512	14.15
BlackRock	67,522,633	11.71
Hotchkis & Wiley	33,204,825	5.76
Franklin Templeton	27,235,771	4.72
Aviva Investors	23,834,083	4.13
Majedie Asset Management	23,110,722	4.00
Standard Life Investments	22,446,786	3.90
Schroder Investment Management	19,275,026	3.34

\* (rounded to the nearest second decimal place)

#### 4. Remuneration of Directors and service contracts

##### 4.1 Executive directors' service agreements

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

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

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

Simon Thomson	£554,390
James Smith	£360,579

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% in respect of the annual basic salary of each qualifying executive director.

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

Simon Thomson's pension arrangements are fully funded. Where an executive director's pension arrangements are fully funded or applicable statutory limits have been reached, an amount equal to 15% of salary contribution is paid in the form of additional salary.

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

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

Each executive director is subject to post-termination obligations for a period of 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>
Ian Tyler	14 May 2015	£160,000
Todd Hunt	14 May 2015	£ 74,900
Iain McLaren	14 May 2015	£ 74,900
Alexander Berger	14 May 2015	£ 74,900 <sup>(1)</sup>
Jackie Sheppard	14 May 2015	£ 74,900 <sup>(2)</sup>
Keith Lough	14 May 2015	£ 74,900
Peter Kallos	1 September 2015	£ 74,900

(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 contracts set out 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) Reserve based lending bank facility agreement*

On 18 July 2014, the Company and certain subsidiaries within the Group entered into a US\$575m seven year reserve based lending facility agreement, which is currently undrawn. The facility was underwritten by BNP Paribas and has now been syndicated to the following banks: Commonwealth Bank of Australia, DNB Bank ASA, HSBC, Standard Chartered Bank and Société Générale. The bank facility may be drawn to fund capital expenditure on the Catcher and Kraken development projects, with the amount available to draw at any time determined by market standard reserve based lending calculations and by reaching certain project milestones.

#### *(b) Farm out agreement relating to the Catcher development*

On 25 September 2014, Nautical Petroleum Limited and Agora Oil and Gas (UK) Limited, being subsidiaries within the Group, entered into a farm out agreement with Dyas UK Limited for the sale of a 10% interest in the Catcher development and adjacent acreage in the UK North Sea effective from 1 January 2014.

### *The Group's shareholding in Cairn India*

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 2012 and 4 April 2016 (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 2013, 31 December 2014 and 31 December 2015 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 2012, 31 December 2013, 31 December 2014 and 31 December 2015.

The information incorporated by reference for the period ended 31 December 2015 can be found on pages 81 to 104 and in note 7.8 on page 154 of the 2015 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2014 can be found on pages 76 to 97 and in note 7.8 on page 137 of the 2014 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2013 can be found on pages 81 to 98 and in note 7.8 on pages 138 and 139 of the annual report and accounts for the period ended 31 December 2013.

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 2016 to 4 April 2016 (being the latest practicable date prior to the publication of this document):

*(a) Remuneration of key management personnel*

The remuneration of the key management personnel<sup>(1)</sup> of the Company, is set out below in aggregate:

	<u>US\$M</u>
Short-term employee benefits	1.6
Pension contributions	0.1
Share-based payments	0.9
	<b>2.6</b>

(i) The key management personnel of the Company are Simon Thomson, James Smith, Richard Heaton, Paul Mayland, Brita Holstad, Richard Ember and Miles Warner.

*(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>
<b>Transactions during the period</b>	
Amounts invoiced to subsidiaries	3.5
Amounts invoiced from subsidiaries	1.5
Finance income – dividends received	—
	<u>US\$M</u>
<b>Balances as at 4 April 2016</b>	
Amounts owed by subsidiary undertakings	1.6
Amounts owed to subsidiary undertakings	<u>(53.9)</u>
	<b>(52.2)</b>

## 7. Litigation

### *The Group*

Save as disclosed below under the heading “Indian Income Tax Department restriction on sales of the residual interest in Cairn India”, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which in the twelve 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*

Save as disclosed below under the heading “Indian Income Tax Department restriction on sales of the residual interest in Cairn India”, 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 of which the Company is aware) 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.

## ***Indian Income Tax Department restriction on sales of the residual interest in Cairn India***

As previously announced by the Company, the Indian Income Tax Department has opened an enquiry in respect of certain intra-Group transactions undertaken in the fiscal year ended 31 March 2007, which cites a retrospective amendment to Indian tax law introduced in 2012 as the basis of the enquiry. On 4 February 2016, CUHL, Cairn's subsidiary, received a final assessment order issued by the Indian Income Tax Department in the amount of INR 102 billion (approximately US\$1.6 billion) plus interest back dated to 2007 totalling INR 118 billion (approximately US\$2.8 billion). The aggregate amount of INR 290 billion (approximately US\$4.4 billion) excludes any applicable penalties which may also be applied to the final assessment. The quantum of any applicable penalties has yet to be determined, but potentially could be up to 100% of the final assessment order (excluding interest). Enforcement of any tax liability deemed due by the Indian Income Tax Department will be limited to the assets of CUHL which have a current value of US\$477 million, and comprise principally Cairn's residual 10% shareholding in Cairn India, which has already been provisionally attached by the Indian Income Tax Department. Cairn strongly contests the basis of the assessment order and on 11 March 2015 Cairn and CUHL filed a Notice of Dispute under the UK-India Investment Treaty to protect its legal position and shareholders' interest. The international arbitration proceedings formally commenced in January 2016 following the agreement between Cairn and the Government of India on the appointment of a panel of three international arbitrators under the terms of the UK-India Investment Treaty.

Supported by detailed legal advice on the strength of the legal protections available to it under international law, Cairn does not intend to make any accounting provision in respect of the tax assessment order. In addition to the resolution of the tax dispute, Cairn also seeks full recompense for the loss of value resulting from the restriction on its shares in Cairn India since 2014.

## **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 2015, being the date to which the last annual consolidated accounts of the Group were prepared.

### ***The Group's shareholding in Cairn India***

The share price of Cairn India has risen from INR138.10 on 31 December 2015 (being the date to which the last annual consolidated accounts of the Group were prepared) to INR151.90 on 4 April 2016 (the latest practicable date before the publication of this document), leading to an 10% increase in the INR market value of the shareholding in Cairn India; however, movements in the USD:INR foreign exchange rates mean that the USD market value of the shareholding has increased 10.3% over the period. As at 4 April 2016, the market value of the Group's residual interest in Cairn India was approximately US\$423 million, based on an exchange rate of US\$1: INR66.07. As noted previously, Cairn has received requests from the Indian Income Tax Department to provide information and to file tax returns for the year ended 31 March 2007. While interactions are ongoing with the Indian Income Tax Department, Cairn has been restricted by the Indian Income Tax Department from selling its shares in Cairn India.

## **9. Working Capital**

Cairn is of the opinion that the Continuing Group has sufficient working capital for its present requirements, that is, for at least the twelve months following the date of this document.

## **10. Treasury shares held by the Company**

As at 4 April 2016 (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 at the Company's registered office during normal business hours from the date of publication of this Notice until the time of the meeting (public holidays excepted) and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting:

- (i) the Articles of Association;
- (ii) the executive directors' service contracts and non-executive directors' letters of appointment;
- (iii) copies of the Company's annual report and accounts for 2013, 2014 and 2015; and
- (iv) 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: 6 April 2016**

## 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);
“2015 Annual Report and Accounts”	the annual report and accounts of the Company for the year ended 31 December 2015;
“Annual General Meeting”	the annual general meeting of Cairn to be held in the Castle Suite of The Caledonian, a Waldorf Astoria Hotel, Princes Street, Edinburgh EH1 2AB at 12.00 noon (BST) on Thursday, 12 May 2015;
“Articles of Association”	the articles of association of the Company from time to time;
“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;
“Citigroup Global Markets”	Citigroup Global Markets India Private Limited;
“Company” or “Cairn”	Cairn Energy PLC, a company incorporated in Scotland with registered number SC226712;
“Continuing Group”	the Group excluding the Group’s residual interest in Cairn India”;
“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;
“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;
“CUHL”	Cairn UK Holdings Limited;
“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;

“FCA”	the Financial Conduct Authority;
“Form of Proxy”	the form of proxy enclosed with this document, for use by Shareholders in connection with the Annual General Meeting;
“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;
“Notice”	the Notice of Annual General Meeting at the end of this document;
“Ordinary Shares”	the ordinary shares of 231/169 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;
“Shareholders”	holders of Ordinary Shares;
“SIP”	the Cairn Energy PLC 2010 Share Incentive Plan;
“UKLA”	the FCA 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 Castle Suite of The Caledonian, a Waldorf Astoria Hotel, Princes Street, Edinburgh EH1 2AB at 12.00 noon (BST) on Thursday, 12 May 2016 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 will be proposed as special resolutions:

1. That the reports and accounts for the year ended 31 December 2015 be received.
2. That the directors’ remuneration report (excluding the directors’ remuneration policy) contained within the report and accounts for the year ended 31 December 2015 be approved.
3. That PricewaterhouseCoopers LLP be re-appointed as auditor of the Company.
4. That the directors be authorised to determine the auditor’s remuneration.
5. That Ian Tyler 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 Alexander Berger be re-elected as a director.
9. That M. Jacqueline Sheppard QC be re-elected as a director.
10. That Keith Lough be re-elected as a director.
11. That Peter Kallos be re-elected as a director.
12. That Simon Thomson be re-elected as a director.
13. That James Smith 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 £2,625,745.77;
  - (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 £2,625,745.77 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 2016 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2016, 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 6 April 2016 (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 £393,901.26;

(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 231/169 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 86,396,016 (representing 14.99% of the Company’s issued ordinary share capital at 4 April 2016);
- (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; and
- (iv) unless previously varied, revoked or renewed, the authority conferred by this resolution shall expire on the earlier of 30 June 2017 or at the end of the next annual general meeting of the Company to be held in 2017, 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 2017.
18. That:
  - (a) any disposals by the Company or any subsidiary undertaking of the Company of any or all shares in Cairn India Limited (or any subsequent shares held by the Company as a result of the scheme of arrangement proposed by the board of directors of Vedanta Limited and Cairn India Limited on 14 June 2015) 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 2017 or at the end of the next annual general meeting of the Company to be held in 2017.

**By Order of the Board**

Duncan Wood  
Company Secretary  
50 Lothian Road  
Edinburgh EH3 9BY

6 April 2016

**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 0371 384 2660 (for calls from within the United Kingdom) and +44 (0) 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (BST) on any Business Day. 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](http://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 12 May 2016 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 (BST) on Tuesday, 10 May 2016, 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](http://www.euroclear.com). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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 0371 384 2660 (for calls from within the United Kingdom) and +44 (0) 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (BST) on any Business Day. Please note that calls to these numbers may be monitored and recorded. 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 (BST) on Tuesday, 10 May 2016 (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 4 April 2016 (being the latest practicable time before printing this Notice of Annual General Meeting), the Company’s issued share capital comprised 576,357,681 ordinary shares of 231/169

pence each. Each such ordinary share carries the right to one vote at a general meeting of the Company. Therefore, the total number of voting rights in the Company as at 5.00pm on 4 April 2016 was 576,357,681.

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](http://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 2015 entitled 'Board of Directors', 'Directors' Report', 'Strategic Report', 'Corporate Governance Statement', and 'Directors' Remuneration Report'.

