

**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 2016 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  
Proposed New Long Term Incentive Plan  
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 2017 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 Friday 19 May 2017, 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 Wednesday 17 May 2017. 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 Wednesday 17 May 2017 (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 Wednesday 17 May 2017. 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 which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, 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 the 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 III 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 9 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, the proposed new long term incentive plan 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 Guidance 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, all references to "NOK" are to the lawful currency of Norway 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, the Cairn Energy PLC Long Term Incentive Plan (2017) or the Residual Interest Disposal Authority, or to 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)  
Nicoletta Giadrossi (Non-Executive Director)  
Simon Thomson (Chief Executive)  
James Smith (Chief Financial Officer)

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

6 April 2017

*To Shareholders*

Dear Shareholder

#### **Notice of Annual General Meeting and proposed new long term incentive plan and the 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 noon (BST) on Friday 19 May 2017. Enclosed with this letter are the 2016 Annual Report and Accounts and a Form of Proxy for use at the Annual General Meeting.

The business to be conducted at the Annual General Meeting is set out in the Notice of Annual General Meeting at the end of this document (the "**Notice**"). You will be asked to consider and vote on the resolutions set out in the Notice. One of the resolutions seeks approval of the renewal of the existing authority (renewed at last year's annual general meeting held on 12 May 2016) 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. We have also included further information in relation to the proposal to adopt a new long term incentive plan in Part II of this document.

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

##### **2. New Long Term Incentive Plan**

We are seeking Shareholders' approval of the establishment of a new arrangement, the Cairn Energy PLC Long Term Incentive Plan (2017) (the "**New LTIP**"), which will primarily be used to grant performance based long term share awards to the Company's executive directors and senior management team.

The New LTIP is being introduced for two main reasons:

- (i) *To replace the existing arrangement which is due to expire* – the Company's current long term incentive plan, the Cairn Energy PLC Long Term Incentive Plan (2009) (the "**2009 LTIP**"), was adopted in 2009 and will "expire" on 19 May 2019. Given that Shareholders are being asked to approve a new three-year Directors' Remuneration Policy at the Annual General Meeting (see resolution 3 in the Notice) which will last beyond that date, the Directors consider that it would be efficient also to seek approval of the New LTIP at this year's meeting; and

- (ii) *To facilitate the operation of the new Directors' Remuneration Policy* – the revised pay policy referred to above introduces a number of variations to the basis on which future long term incentive awards will be granted to the Company's executive directors. Some of these changes would have required amendments to be made to the 2009 LTIP and it was therefore decided that it would be more appropriate in the circumstances for them simply to be incorporated into the rules of the New LTIP.

Save for changes required to accommodate the new Directors' Remuneration Policy (details of which are set out in the Directors' Remuneration Report section of the 2016 Annual Report and Accounts), the terms of the New LTIP that will apply to the Company's executive directors are broadly similar to those contained in the 2009 LTIP.

A summary of the principal terms of the New LTIP, together with further information on how it will initially be operated following its adoption, are set out in Part II of this document.

### 3. Indian Income Tax Department enquiry

On 24 January 2014, we announced that CUHL, Cairn's subsidiary company, had received an order restricting it from selling its shares in Cairn India, valued at the time at approximately US\$1 billion, pending a review of an internal Group reorganisation carried out in 2006. The order referenced retrospective tax changes introduced in 2012. Then, on 4 February 2016, as previously announced by the Company, CUHL received a final assessment order in respect of the Indian fiscal year ended 31 March 2007, issued by the Indian Income Tax Department (the "IITD") in the amount of INR102 billion (approximately US\$1.6 billion) plus interest back dated to 2007 totalling INR188 billion (approximately US\$2.8 billion). The final assessment order did not include any penalties which may also be applied to the final assessment (potentially up to 300% of any tax finally agreed).

The final assessment order was appealed to the Income Tax Appellate Tribunal, Delhi ("ITAT") which ruled on 9 March 2017 that tax in the amount of INR102 billion remained payable but that CUHL could not be required to pay interest under the relevant sections of the Indian Income Tax Act, 1961 on the basis that the legislation introduced in 2012 was a retrospective amendment and CUHL could not have anticipated that payment of tax would be required. Following the ruling of the ITAT, an amended tax demand, received on 31 March 2017, noted that late payment interest would now be charged from February 2016, i.e. from 30 days following the date of the original 2016 final assessment order. The decision of the ITAT is potentially subject to appeal.

Separately, Cairn had an appeal pending which claimed that tax had been overpaid in India in a subsequent fiscal year. Cairn's appeal in this matter was upheld by the Commissioner of Income Tax, Delhi ("CIT") in December 2016 (although remains open to further appeal by the IITD). CUHL received a letter on 3 March from the IITD which advised that the refund due to it consequent to the CIT decision was to be effected but it would be set against the tax assessed in respect of the year ended 31 March 2007 rather than paid to the company. The exact amount of the refund due has not yet been notified to the company but is estimated at approximately US\$275 million including related interest (the "Refund").

Cairn strongly contests the final assessment order in respect of the fiscal year ended 31 March 2007, including the offset of the Refund against such assessment, 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 IITD will be limited to the assets of CUHL which had a value as at 31 December 2016 of approximately US\$750 million, and comprised principally Cairn's residual ~10% shareholding in Cairn India.

As a result of the actions taken by the IITD, 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 Treaty. Cairn's statement of claim was submitted to the arbitration panel on 28 June 2016 and the Government of India submitted its statement of defence on 4 February 2017. Based on the current schedule, we expect that the arbitration hearing on the merits of the case will be held in January 2018.

Cairn continues to be restricted from selling its shares in Cairn India. However, supported by detailed legal advice on the strength of the legal protections available to it under international law, Cairn strongly contests the actions of the IITD in these matters. 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 Cairn India shares.

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

On 22 June 2016, Cairn India and Vedanta Limited revised the terms of the Scheme of Arrangement regarding the proposed merger between Cairn India and Vedanta Limited which was initially announced on 14 June 2015

(the “**Scheme**”). As per the revised terms, upon the merger becoming effective, minority shareholders in Cairn India will receive for each equity share held, (i) one equity share in Vedanta Limited with a face value of INR1 and (ii) four 7.5% redeemable preference shares in Vedanta Limited with a face value of INR10. No shares will be issued to Vedanta Limited or any of its subsidiaries for their shareholding in Cairn India. BSE Limited (the operator of the Bombay Stock Exchange) and the National Stock Exchange of India Limited have stated they have no objections to the proposed merger and shareholders of Cairn India, Vedanta Limited and Vedanta Resources plc (“**Vedanta**”) together with the secured and unsecured creditors of Vedanta Limited have approved the Scheme with the requisite majorities voting in favour. On 28 March 2017, both Vedanta and Cairn India announced that they had received all the required approvals in relation to the Scheme, save for the approval of the Reserve Bank of India in relation to the issuance of Redeemable Preference Shares to the non-resident shareholders of Cairn India. They noted that the Scheme would be made effective, and the record date for issue of the Vedanta Limited shares pursuant to the Scheme would be set, upon receipt of the said approval of the Reserve Bank of India.

The information in this document regarding the merger of Cairn India and Vedanta Limited is given as at 31 March 2017 on the basis of information available to the Company as at that date.

Following completion of the proposed merger of Cairn India and Vedanta Limited, Cairn will receive 184,125,764 equity shares and 736,503,056 redeemable preference shares in Vedanta Limited, both of which will be listed on the Indian Stock Exchanges.

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

The Company’s residual interest of approximately 10% of Cairn India, which following completion of the Scheme will equate to approximately 5% of the equity shares in Vedanta Limited, 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 12 May 2016, 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 (or any subsequent shares held by Cairn in Vedanta Limited as a result of the Scheme as detailed in paragraph 4 above) (the “**Residual Interest**”). Nevertheless, Cairn believes it is appropriate to retain the flexibility to realise Shareholder value from the Residual Interest in the event that the Company becomes able to make such a disposal prior to or as a result of the conclusion of its ongoing legal challenges.

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 the Residual Interest 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/Vedanta Limited or any merger or offer involving Cairn India/Vedanta Limited.

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 Residual Interest. 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 2018 (the last date on which the Company’s annual general meeting for 2018 could be held) or at the end of the Company’s annual general meeting for 2018. 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, Vedanta Limited and the Residual Interest

### Cairn India

Cairn India is listed on the Indian Stock Exchanges and currently has a market capitalisation in excess of US\$8.7 billion based on an exchange rate of US\$1:INR65.04 (as at 4 April 2017). 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 2016. Average gross operated production was 191,674 boepd for the nine month period ending 31 December 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 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 Indian and international assets comprise the following:

- **Krishna-Godavari Basin Offshore:** Clearance to commence safe drilling operations is awaited. Cairn India is currently engaging with the Government of India for an extension of the initial exploration phase for the block, which expired on 8 March 2016. Cairn India is the operator with a 100% participating interest.
- **Krishna-Godavari Basin Onshore:** Operatorship was transferred to the Oil and Natural Gas Corporation with effect from 7 July 2014. Cairn India has a 49% participating interest.
- **Mumbai Offshore:** Cairn India has concluded that the block has poor prospects and will exit at the end of its licence period. Cairn India is the operator with a 100% participating interest.
- **Palar-Pennar:** Preparation for drilling three commitment wells in the year to 31 March 2018 is in progress. Cairn India is the operator with a 35% participating interest.
- **South Africa:** The prospects inventory for the Orange Basin, 'Block 1' has been finalised and Cairn India awaits a decision on the proposed changes to the Mineral and Petroleum Resources Development Act and consequently applicable fiscal regime before considering a decision to progress into the second exploration licence phase. 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 2016 were:

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net working interest proved and probable reserves and resources (mmboe)	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Rajasthan MBA Fields	2,208	2,208	496	545	174	191
Rajasthan MBA EOR	—	—	225	226	79	79
Rajasthan Block Other Fields	4,189	3,833	471	505	165	177
Ravva fields	706	684	39	47	9	11
CB-OS/2 Fields (Cambay)	215	220	23	24	9	9
Other fields	481	481	74	74	36	36
	<b>7,799</b>	<b>7,426</b>	<b>1,328</b>	<b>1,421</b>	<b>471</b>	<b>503</b>

Source: Cairn India Annual Report and Accounts 31 March 2016

Cairn India Group's net working interest proved and probable reserves as at 31 March 2016 was as follows:

Particulars	Proved and probable reserves		Proved and probable reserves (developed)	
	Oil (mmstb)	Gas (bscf)	Oil (mmstb)	Gas (bscf)
<b>Reserves as of 1 April 2014*</b>	<b>137.06</b>	<b>41.78</b>	<b>88.49</b>	<b>14.64</b>
Additions / revision during the year	3.75	10.61	14.54	6.01
Production during the year	25.38	4.58	25.38	4.58
<b>Reserves as of 31 March 2015**</b>	<b>115.43</b>	<b>47.81</b>	<b>77.65</b>	<b>16.07</b>
Additions / revision during the year	(5.83)	(10.95)	22.96	6.21
Production during the year	24.46	4.52	24.46	4.52
<b>Reserves as of 31 March 2016***</b>	<b>85.14</b>	<b>32.34</b>	<b>76.15</b>	<b>17.76</b>

Source: Cairn India Annual Report and Accounts 31 March 2016

\* Includes probable oil reserves of 44.95 mmstb (of which 17.37 mmstb is developed) and probable gas reserves of 29.72 bscf (of which 7.89 bscf is developed)

\*\* Includes probable oil reserves of 36.95 mmstb (of which 13.84 mmstb is developed) and probable gas reserves of 34.32 bscf (of which 5.94 bscf is developed)

\*\*\* Includes probable oil reserves of 22.69 mmstb (of which 15.05 mmstb is developed) and probable gas reserves of 18.31 bscf (of which 5.02 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, Bhagyam & Aishwariya

EOR= Enhanced Oil Recovery

## Vedanta Limited

Vedanta Limited is a global diversified natural resources company and currently has a market capitalisation in excess of US\$12.4 billion based on an exchange rate of US\$1:INR65.04 (as at 4 April 2017). The company's main focus is on zinc, lead, silver, aluminium, copper, iron ore, oil & gas and commercial power, while its operations span across India, South Africa, Namibia, Ireland and Australia. Vedanta Limited is the majority shareholder in Cairn India.

In addition to its majority interest in Cairn India, Vedanta Limited has the following interests in mineral reserves and resources:

### Copper mine resource and reserve summary

Mine	Resources				Reserves	
	Measured and indicated million mt	Copper grade %	Inferred million mt	Copper grade %	Proved and probable reserves million mt	Copper grade %
Mt Lyell (CMT)	29.9	1.08	21.7	1.06	—	—

Source: Vedanta Resources PLC Annual Report and Accounts for the year ended 31 March 2016

### Bauxite mine resource and reserve summary

Mine	Resources				Reserves	
	Measured and indicated million mt	Aluminium grade %	Inferred million mt	Aluminium grade %	Proved and probable reserves million mt	Aluminium grade %
BALCO						
Mainpat	7.3	46.7	0.8	46.3	4.2	44.5
Bodai-Daldali	3.7	47.8	0.7	47.2	1.9	45.7
<b>Total BALCO</b>	<b>11.0</b>	<b>47.1</b>	<b>1.5</b>	<b>46.7</b>	<b>6.1</b>	<b>44.9</b>
MALCO Koli Hills and Yercaud	0.8	44.0			0.2	43.0

Source: Vedanta Resources PLC Annual Report and Accounts for the year ended 31 March 2016

## Zinc and lead mine resource and reserve summary

### Zinc India

Mine	Resources						Reserves		
	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Rampura Agucha	14.8	15.2	2.0	37.9	9.4	2.3	51.1	14.0	1.8
Rajpura Dariba	22.8	6.9	2.3	26.6	6.7	1.9	9.3	6.3	1.6
Zawwar	26.2	4.7	1.8	56.1	4.8	2.6	9.5	3.4	1.7
Kayad	1.7	12.3	1.8	0.4	7.6	1.3	3.9	13.4	1.8
Sindesar Khurd	23.6	4.7	2.8	52.7	3.9	2.1	33.2	4.7	3.2
Bamnia Kalan	5.4	4.5	1.6	14.7	3.7	1.8	—	—	—
<b>Total</b>	<b>94.4</b>	<b>7.0</b>	<b>2.2</b>	<b>188.4</b>	<b>5.7</b>	<b>2.2</b>	<b>107.1</b>	<b>9.5</b>	<b>2.2</b>

Source: Vedanta Resources PLC Annual Report and Accounts for the year ended 31 March 2016

### Zinc International

Mine	Resources						Reserves		
	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Skorpion	2.1	9.59	—	1.4	9.14	—	5.2	9.00	—
BMM									
– Deeps	11.2	2.70	3.00	—	—	—	6.9	2.81	3.00
– Broken Hill	—	—	—	—	—	—	—	—	—
– Swartberg	25.9	0.48	2.25	3.3	0.40	2.28	2.6	0.60	3.20
– Gamsberg	97.9	6.20	0.54	64.4	7.81	0.52	53.2	6.63	0.51

Source: Vedanta Resources PLC Annual Report and Accounts for the year ended 31 March 2016

## Iron ore resource and reserve summary

Mine	Resources				Reserves	
	Measured and indicated million mt	Iron ore grade %	Inferred million mt	Iron ore grade %	Proved and probable reserves million mt	Iron ore grade %
Iron Ore Sesa	161.9	50.7	28.2	54.5	193.6	55.4

Source: Vedanta Resources PLC Annual Report and Accounts for the year ended 31 March 2016

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

### Cairn India

Month	Closing Share price (INR)	Imputed value of entire holding (INRm)	Imputed value of entire holding (US\$m)
October 2016	226.50	41,704	624
November 2016	251.60	46,326	676
December 2016	242.15	44,586	656
January 2017	276.50	50,911	754
February 2017	284.10	52,310	784
March 2017	305.85	56,315	868
3 April 2017 (latest practicable date)	305.05	56,168	864

## Vedanta Limited

Month	Closing Share price (INR)	Imputed value of entire holding (INRm)	Imputed value of entire holding (US\$m)
October 2016	200.88	36,987	554
November 2016	229.85	42,321	617
December 2016	216.15	39,799	585
January 2017	253.10	46,602	690
February 2017	259.10	47,707	715
March 2017	274.95	50,625	780
3 April 2017 (latest practicable date)	272.70	50,211	772

Source: Bloomberg

As at 4 April 2017, 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. Confirmation has been received via the international arbitration that dividends of US\$51m due from Cairn India are no longer restricted. Cairn has requested the immediate release of the sum from Cairn India.

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:INR59.7700) 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:INR60.8300) held by Cairn India in escrow for CUHL from 23 September 2014; (iii) the dividend with total aggregate amount of US\$11,605,784 (based on the then applicable exchange rate of US\$1:INR63.46) held by Cairn India in escrow for CUHL from 21 July 2015; and (iv) the dividend with total aggregate amount of US\$8,226,266 (based on the then applicable exchange rate of US\$1:INR67.148) held by Cairn India in escrow for CUHL from 21 July 2016.

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 2016, the fair value of the Company's residual interest in Cairn India was US\$656 million (extracted without material adjustment from the Group's audited consolidated financial accounts for the year ended 31 December 2016). As at 4 April 2017, 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\$0.9 billion, based on an exchange rate of US\$1:INR65.041. On completion of the Scheme, in consideration for its residual shareholding in Cairn India, Cairn will receive equity shares and redeemable preference shares in Vedanta Limited, both of which will be listed on the BSE Limited and the National Stock Exchange of India Limited.

The Company's future results will reflect any disposals of Cairn India or Vedanta Limited equity shares or redeemable preference 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 or Vedanta Limited shares. Shareholders should read the whole of this document and not rely solely on the summarised financial information above.

## 7. Current trading and prospects

On 8 March 2017, the Company published its results for the year ending 31 December 2016, which contained the following statements:

“Over the last five years, the business has been considerably reshaped and advanced to establish a balanced exploration and production company. The year ahead will be eventful with a number of material catalysts which have potential to add further value to the company.

We have created a strong platform for future growth with active positions in six countries in almost 50 licences providing significant acreage positions of technical and commercial value. The discovery of the SNE field offshore Senegal in 2014 marked a return to exploration success for Cairn and provides an opportunity to implement our strategy of creating, adding and realising value for shareholders through a balanced, well-funded and sustainable company.

With a fully funded balance sheet, the Company is well positioned to the prevailing oil price environment which presents challenges to the industry but also opportunities to allocate capital to value enhancing projects while benefiting from reduced operational costs.

We are taking advantage of the lower industry cost environment as we continue to shape the business for the future. We actively assess new ventures within the context of our balanced offering whether they be potential additions to our portfolio of future exploration opportunities or cash flow generating assets.

## **Senegal**

In Senegal, we have confirmed the scale and potential of this world class asset, and following the appraisal success and contingent resource upgrade in 2016, we have now commenced the third phase of evaluation activity. The JV also has plans for future exploration drilling.

Since the two initial basin opening discoveries in 2014, we have drilled five successful wells in the area. During 2016, subsurface data gathering was successfully completed on four wells, SNE-2, SNE-3, BEL-1 and SNE-4. With better than expected drilling performance and the lower cost environment, these four wells were essentially drilled and evaluated on the SNE field for the original budget of three wells.

In 2017, the third phase of evaluation is underway which is intended to improve the definition of the project and confirm volumes, connectivity and productivity. Operations and testing of the first of the appraisal wells, SNE-5, have recently been successfully completed, ahead of schedule and under budget. The well has been plugged and abandoned and the Stena DrillMAX has moved location to commence operations on the Vega-Regulus (VR-1) well. VR-1 will target the Vega- Regulus exploration prospect in the Aptian Carbonates underlying the SNE field which has potential gross mean consolidated prospective resource of more than 100 mmbbls. In addition, the well will provide further appraisal on the SNE field targeting potential incremental resources. The results will narrow the range of SNE field volumes and also allow the JV time to fully integrate the results of SNE-5 prior to moving to appraisal well SNE-6 to complete the planned interference test.

The prospectivity of Cairn's Senegal acreage, an area of more than 7,000 km<sup>2</sup> under licence, has high potential; the success of both the SNE discovery and follow on appraisal of the SNE field has proven there is a prolific source rock, excellent reservoir development and a good working seal. The new 3D seismic data has improved our ability to map traps along the extension of the SNE trend. Numerous prospects have been identified in a wide variety of play types.

The focus of the remaining appraisal activity is on improving our estimates of the scale and phasing of the overall field development including the balance between the number of drilling centres, type and number of wells and the subsea infrastructure.

## **UK & Norway**

Cairn has built a strong position in the UK and Norway by acquiring exploration, appraisal and development assets and participating in licensing rounds.

The UK and Norway are a key region of focus for the Group and during 2016 we have expanded the team and added 13 new licences and four licence extensions. The strategy is to maintain and grow a strong prospect inventory capable of increasing resources and reserves, providing material exploration upside and bringing discoveries into production. We are also looking to identify new venture opportunities and manage the portfolio in an active market for asset transactions.

Kraken and Catcher are two of the largest ongoing development projects in the UK North Sea. Both are core development projects along with the Skarvfjell discovery in Norway, where the development concept has been selected. These three projects are a key part of our strategy to build steady future cash flows to sustain the business model and fund future international exploration.

Both the Kraken and Catcher projects are below budget and remain on schedule to target first oil in 2017. Re-establishing a new cash generative production base is an important milestone for Cairn in 2017.

### *Kraken*

In 2016, the Kraken development progressed well, finishing the year ahead of budget and the Operator targeting first oil in Q2 2017. Most significantly, through a combination of release of contingencies, contract re-negotiations and some reduction in scope, the Operator is now forecasting total gross capex at US\$2.5b which is ~22% lower than the sanctioned estimate.

At the year end, four producers and five injectors had been satisfactorily drilled and completed. The 2016 subsea scope was completed without any issues. The FPSO was essentially mechanically complete with the vast

majority of systems commissioned. The vessel left the deep water anchorage of Singapore and arrived in the North Sea in early 2017, having completed its journey as scheduled. The vessel berthed in Rotterdam to make final preparations prior to sailing offshore to hook up the Submerged Turret Production (STP) buoy mooring system, risers and umbilicals. Handover of FPSO systems from commissioning to operations continued in Rotterdam prior to sailing away. On arrival at the field, the hook up of the STP buoy mooring system was completed and a full rotation test performed to ensure the vessel was on station and securely moored. Commissioning work will continue on the topsides. Reconstruction of the turret area pipework and connection of the risers and umbilicals to the swivel stack is being undertaken followed by commissioning of the subsea infrastructure.

### Catcher

The Catcher project progressed well in 2016, with the Operator targeting start-up and first oil in Q4 2017. The Operator is now forecasting total project capex at US\$1.6b which is ~29% lower than sanctioned estimate.

The drilling programme made excellent progress in 2016; efficient execution together with a well-executed subsea installation campaign, were key factors in the project capex reductions. To minimise rig moves during the winter months, the schedule was adjusted so that at the year end, four wells on Catcher, two wells on Burgman and two wells on Varadero were successfully drilled and tested with all wells coming in at, or better than, prognosis in terms of reservoir quality and well deliverability. Due to these good well results and well placement optimisation, the well count required to deliver the base plan has reduced to 20 firm wells, delivering further significant reductions to the forecast development capex.

Very good progress was made with the FPSO in the second half of the year, with the joining of the two hull 'mega blocks' and installation of the living quarters in Singapore. All of the topside modules were also safely lifted on and very good progress made with the topsides integration.

The majority of the project's subsea installation scope was also completed in 2016. Only short subsea campaigns will be required in 2017-19 to tie-in the new wells drilled and to support the hook up of the FPSO. The project focus is now on final mechanical completion of the FPSO and the pre-commissioning/commissioning work scopes. FPSO sail-away from Singapore is expected to be around mid-year 2017.

### Skarffjell

The JV has selected a development concept for the Skarffjell field. Under the proposed solution, the reservoir will be connected to the nearby Gjøa platform via a subsea tie-back. The Operator has submitted the development concept to the Norwegian Ministry of Petroleum and Energy and now enters the define phase of the project, refining the technical and economic plan before committing to a final investment decision, planned for Q1 2018. Based on the proposed plan, hydrocarbons from the Skarffjell reservoir will be developed with two subsea templates tied back to the Gjøa platform for processing and export. Gjøa will also provide lift gas to the field and water injection for pressure support. Several studies will be conducted before the final investment decision and the plan for development and operation can be submitted to the Ministry.

### Exploration

In 2016, Cairn secured three licences in the Barents Sea, including one as Operator. We believe the Barents Sea is a potential core exploration opportunity and our experience from operations in the Arctic will be relevant in the region. According to the Norwegian Petroleum Directorate, the region may contain as much as half the country's unexplored resources with yet-to-find hydrocarbon potential of 8.8 billion boe. In 2016, Cairn participated in two non-operated exploration wells (Aurelia in the Barents Sea 10% WI and Laverda in the UK 36% WI). Aurelia was unsuccessful in finding commercial quantities of oil at the primary horizon. Laverda did find potentially commercial quantities of oil at the primary horizon but was unsuccessful at the secondary target of the well.

### **International**

Cairn's exploration focus is on the Atlantic Margin where, in addition to Senegal, we have key interests offering the potential for material discoveries and high prospectivity.

In Western Sahara, we signed a new Petroleum Agreement with Operator Kosmos in 2016 and are acquiring 3D seismic in 2017. In Mauritania, we relinquished a licence in 2016, although we continue to be interested in exploring the region.

In Ireland, there have been a number of developments: Cairn agreed a farm-in to LO 16/19 with 70% WI and Operatorship with Europa Oil & Gas with plans for 3D seismic in 2017. Cairn has previously been awarded adjacent LO 16/18 in the Atlantic Licensing Round in H1 2016. The acquisition of 3D seismic is planned to be acquired over both licence option blocks in 2017 and processed in 2018. Cairn also agreed a farm-in to FEL 2/14 in the Southern Porcupine Basin with partners Providence Resources Plc (Providence) and Sosina. An exploration well will be drilled in 2017. The 53/6-A well is planned to spud in June 2017, subject to the necessary regulatory consents, using the Stena IceMAX drill ship targeting both large stratigraphic traps, Druid and the deeper independent Drombeg target. This will result in the planned well, in 2,200m water depth, being deepened from ~3,900m to ~5,200m. As a result of the proposed transaction, the equity interests in FEL 2/14 will be Providence (Operator 56%), Cairn (30%) and Sosina (14%). Both agreements are subject to approval of the Government of Ireland.

During 2017, Cairn will commence production, continue to deliver future development as well as define and explore significant growth opportunities from Senegal. We will continue to advance the business to create a balanced exploration portfolio across emerging and frontier basins in the Atlantic Margin and Barents Sea alongside mature basins in the North Sea. The Group will continue to evaluate new venture and growth opportunities to allow us to create value through successful exploration and discovered resources.”

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 22 resolutions to be proposed at the Annual General Meeting. Resolutions 1 to 16 and 21 and 22 are to be proposed as ordinary resolutions and accordingly will be passed if more than 50% of the votes cast are in favour. Resolutions 17 to 20 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 2016, 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 98 to 124 (inclusive) of the 2016 Annual Report and Accounts and resolution 2 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.   |
| 3       | From 1 October 2013, listed companies are required to prepare a directors’ remuneration policy and put a resolution to approve the policy to the Shareholders at least every three years. The Shareholders previously approved the Company’s directors’ remuneration policy at the annual general meeting held on 15 May 2014. A copy of the new Directors’ Remuneration Policy is contained in the Directors’ Remuneration Report and is set out on pages 101 to 110 (inclusive) of the 2016 Annual Report and Accounts. Resolution 3 seeks approval of that policy. Once the Directors’ Remuneration Policy is approved, the Company will not be able to make a remuneration payment to a current or prospective director or a payment for loss of office to a current or past director, unless that payment is consistent with the Directors’ Remuneration Policy or has been approved by a resolution of the Shareholders of the Company. |
| 4.      | 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.   |
| 5       | Resolution 5 seeks authority for the Directors to determine the auditor’s remuneration.   |
| 6 to 15 | In accordance with the UK Corporate Governance Code, Ian Tyler, Todd Hunt, Iain McLaren, Alexander Berger, Jackie Sheppard, Keith Lough, Peter Kallos, Nicoletta Giadrossi, 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 76 and 77 of the 2016 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 78 to 90 (inclusive) of the 2016 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 pages 81 and 82 of the 2016 Annual Report and Accounts.

- 16 Resolution 16 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 £2,657,080.73, representing approximately 33.33% of the Company's total issued ordinary share capital (excluding treasury shares) as at 4 April 2017, 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 £2,657,080.73, representing approximately 33.33% of the Company's total issued ordinary share capital (excluding treasury shares) as at 4 April 2017, 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 16 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 2018 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2018.

As at 4 April 2017, being the latest practicable date prior to publication of this document, the Company did not hold any shares in treasury.

- 17 and 18 Resolutions 17 and 18 are 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.

In accordance with the Pre-Emption Group's Monitoring Report issued in March 2016, two separate resolutions are being proposed in connection with the disapplication of pre-emption rights.

The first, resolution 17, 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, in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority granted by resolution 16, and otherwise up to a total amount of £398,601.97, representing approximately 5% of the Company's total issued ordinary share capital as at 4 April 2017, being the latest practicable date prior to publication of this document.

The second, resolution 18, is being proposed to give the Directors further power to allot equity securities or sell treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply, for transactions which the board determines to be an acquisition or specified capital investment defined by the Pre-Emption Group's Statement of Principles, up to a further total amount of £398,601.97 representing approximately 5% of the Company's total issued ordinary share capital as at 4 April 2017, being the latest practicable date prior to publication of this document.

In accordance with the Pre-Emption Group's Statement of Principles, the Directors confirm that, to the extent that this latter part of the authority is used for an issue of shares representing more than 5% of the Company's issued share capital at that date, the Directors intend that such

authority will be used only in connection with an acquisition or specified capital investment that is announced contemporaneously with the issue, or that has taken place in the preceding six-month period and is disclosed in the announcement of the issue. This power is being sought in order to give the Company the flexibility to raise funds in the future should it choose to do so. The Directors confirm, in accordance with the Pre-Emption Group's Statement of Principles, that it does not intend to issue ordinary shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with Shareholders.

The power conferred by resolutions 17 and 18 will expire at the same time as the authority conferred by resolution 16, unless previously revoked, varied or extended by the Company in general meeting.

- 19 If passed, resolution 19 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 2017, being the latest practicable date prior to publication of this document, being 87,427,043 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 2018 or the conclusion of the annual general meeting of the Company to be held in 2018, 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 2017, being the latest practicable date prior to publication of this document, options to subscribe for shares were outstanding over an aggregate of 4,148,593 Ordinary Shares (representing approximately 0.71% of the issued ordinary share capital of the Company as at 4 April 2017). If the new authority was granted at the Annual General Meeting and was then utilised in full, the options outstanding at 4 April 2017 would represent approximately 0.84% of the issued share capital of the Company.

- 20 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 2016, 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 20 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 2018, when it is intended that a similar resolution will be proposed.

- 21 Resolution 21 seeks the approval of Shareholders to the adoption of a new long term incentive plan, the principal terms of which are summarised in Part II of this circular.
- 22 Resolution 22 proposes that any disposal by any member of the Group of any shares (including preference shares) in Cairn India or Vedanta Limited on the terms described in paragraph 5 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 Wednesday, 17 May 2017. 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 Wednesday, 17 May 2017. 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 Wednesday, 17 May 2017. 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, III and IV of this document.

#### **11. Documents on display**

Copies of the draft rules of the New LTIP will be available for inspection at the Company's registered office and at the offices of Shepherd and Wedderburn LLP, Condor House, 10 St. Paul's Churchyard, London EC4M 8AL during normal business hours on weekdays from the date of this Notice until the time of the Annual General Meeting, and will also be available at the place of the Annual General Meeting from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

#### **12. 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 925,355 Ordinary Shares representing approximately 0.159% of the current issued ordinary share capital of Cairn (as at 4 April 2017, being the latest practicable date prior to the publication of this document).

Yours faithfully,



Ian Tyler  
Chairman

## **PART II**

### **SUMMARY OF THE PRINCIPAL TERMS OF THE CAIRN ENERGY PLC LONG TERM INCENTIVE PLAN (2017)**

The Cairn Energy PLC Long Term Incentive Plan (2017) (the “**New LTIP**” or the “**Plan**”) is a discretionary arrangement that will allow selected employees and executive directors of the Company and its subsidiaries to be granted awards (“**Awards**”) over the Company’s Ordinary Shares. It will be administered by the remuneration committee of the Board (the “**Remuneration Committee**” or the “**Committee**”).

If approved by Shareholders at the Annual General Meeting, it is intended that the New LTIP will be adopted by the Board, and the first Awards granted, as soon as reasonably practicable after the Meeting. Thereafter, the New LTIP will largely be used to make regular annual Awards to the Company’s senior management team. Any grants to executive directors will be made in accordance with the Company’s approved Directors’ Remuneration Policy that is in force at the relevant time.

A summary of the principal terms of the New LTIP is set out below.

#### **1. Eligibility**

Any employee (including an executive director) of the Group will be eligible to be granted Awards under the New LTIP at the discretion of the Committee. It is envisaged that actual participation in the Plan will (at least initially) be limited to the Company’s executive directors and selected senior managers.

#### **2. Grant of Awards**

Awards under the New LTIP may be granted in the form of nil or nominal cost options (“**Options**”) or conditional share awards (“**Conditional Awards**”). The Committee may also decide to grant cash-based Awards of an equivalent value to share-based Awards or to satisfy share-based Awards in cash, although it does not currently intend to do so.

Awards may normally be granted under the New LTIP within the period of forty-two days after:

- the date on which the Plan is first adopted by the Board; or
- a results announcement by the Company in any year.

Additionally, Awards may also be granted on any day on which the Committee resolves that exceptional circumstances exist which justify the making of such Awards.

No Awards will be granted more than ten years after Shareholder approval of the New LTIP. No payment is required for the grant of an Award. Awards are not pensionable.

#### **3. Awards personal to the participants**

An Award granted under the New LTIP will be personal to the participant and may not be transferred, assigned or charged in any way, except on death.

#### **4. Individual Limits**

No participant may be granted an Award which would, at the time it is granted, cause the market value of all the Shares subject to Awards granted to him/her in respect of a particular financial year to exceed the limit set out in the Company’s Director’s Remuneration Policy then in force (expected to be 250% of salary at the time of the New LTIP’s adoption and initial operation).

Within the above limit, the value of Ordinary Shares over which an Award is granted will be determined at the sole discretion of the Committee. It is, however, anticipated that the initial grants made under the New LTIP to the Company’s executive directors during 2017 will be over Ordinary Shares worth 250% of salary.

For the purposes of applying the above limit, the market value of an Ordinary Share comprised in an Award will be determined by reference to its middle market quotation as derived from the Daily Official List for the dealing day immediately preceding the date of grant (or, if the Committee so determines, the average of such middle market quotations for the three dealing days immediately preceding the date of grant).

## 5. Performance conditions

The vesting of Awards granted under the New LTIP to the Company's executive directors will be subject to performance conditions set by the Committee. The measurement period for such conditions will normally be three years or such longer period as the Committee may determine at the date of grant. The Committee can set different performance conditions for Awards granted in different years (in terms of the type of condition, the weighting given to that condition and the targets applicable to each condition) to ensure that they remain appropriate, challenging and in line with the terms of the Company's Directors' Remuneration Policy in force from time to time.

For the initial 250% of salary Awards that will be granted under the New LTIP to executive directors during 2017, it is envisaged that the performance conditions will be based on the Company's total shareholder return ("TSR") performance measured over the period of three consecutive financial years commencing on 1 January 2017.

This condition will have two distinct elements, namely:

- **Condition applicable to the "Core Award"**

The first condition will apply to that element of an Award which is over Ordinary Shares worth 200% of the relevant participant's basic salary (the "**Core Award**") and will involve an assessment of Cairn's TSR performance over the measurement period relative to the performance achieved by a pre-determined group of comparable companies in the same sector (the "**Comparator Group**"). Vesting will then take place as follows:

<u>Ranking of Cairn against the Comparator Group</u>	<u>% of Ordinary Shares comprised in Core Award that vest</u>
Below median	0%
Median	25%
Upper quartile or above	100%
Between median and upper quartile	25%-100% on a straight line basis

- **Condition applicable to the "Kicker Award"**

The second condition will apply to the remaining part of the Award (the "**Kicker Award**"), being an element that is granted over Ordinary Shares worth 50% of salary. This part of the Award will vest in full if, over the same measurement period:

- the Company achieves an upper quartile ranking (or above) in the Comparator Group; and
- the TSR actually achieved by Cairn is at least 100%.

For the avoidance of doubt, if either of the above requirements is not satisfied, no part of the Kicker Award will vest.

However, notwithstanding the performance of the Company against any of the above targets, no part of any Core or Kicker Award will vest unless the Committee is satisfied that there has been an overall satisfactory and sustained improvement in the performance of the Company as a whole over the performance period.

The Remuneration Committee will have the power to vary the terms of the performance conditions attaching to an outstanding Award in exceptional circumstances, provided that the amended conditions are, in their opinion, neither materially easier nor more difficult to achieve than the original performance conditions as envisaged by the Committee at the date of grant of that Award.

The Committee may set different or no performance conditions for participants who are not executive directors.

## 6. Vesting and holding period

Awards granted to executive directors will normally vest on the third anniversary of grant. Awards granted to employees outside this population may vest at such time (or times) as set by the Committee.

Awards will vest to the extent that any applicable performance conditions have been satisfied and provided the participant is still employed by the Group (although see "good leaver" provisions below). Awards in the form of Options will, once vested, normally remain exercisable up until the tenth anniversary of grant, unless they lapse earlier.

An Award may be subject to a post-vesting holding period determined by the Committee and notified to the participant at the date of grant. If such a holding period is imposed, it may involve the deferral of the release of any vested Ordinary Shares and/or a restriction on the ability to exercise an Award that is an Option. In the case of the initial Awards to be granted under the New LTIP to executive directors during 2017, it is currently anticipated that a holding period of two years will apply to all Ordinary Shares that vest.

#### **7. Dividend equivalents**

The Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the settlement of their Awards, of an amount equivalent to the dividends that would have been payable on the Ordinary Shares acquired between the date of grant and the vesting date (or, if applicable, the expiry of any holding period to which the Award is subject).

#### **8. Source of Shares and dilution limits**

Awards granted under the New LTIP may be satisfied either by the issue of new Ordinary Shares, the transfer of Ordinary Shares from treasury or the transfer of existing Ordinary Shares purchased in the market. Any new Ordinary Shares that are issued when an Award vests or is exercised will rank equally with existing Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment). Until a participant acquires any Ordinary Shares subject to an Award, he/she has no rights to those Ordinary Shares, including voting or dividend rights.

The number of new Ordinary Shares issued or remaining capable of being issued pursuant to awards granted under the New LTIP and all the Company's other employee share schemes in any period of 10 years will not exceed 10% of the ordinary share capital of the Company in issue from time to time.

Also, the number of new Ordinary Shares issued or remaining capable of being issued pursuant to awards granted under the New LTIP and the Company's other discretionary share schemes in any period of 10 years will not exceed 5% of the ordinary share capital of the Company in issue from time to time.

For the purpose of the above limits:

- any Ordinary Shares which are acquired by market purchase for the purposes of satisfying share scheme awards will not be counted;
- the number of Ordinary Shares issued prior to 6 February 2012 in connection with options and awards will be adjusted to reflect the share capital consolidation that became effective on that date;
- treasury shares will count as new issue Ordinary Shares unless institutional investors decide that they need not count; and
- no account will be taken of any Ordinary Shares where the right to acquire them was released or lapsed prior to vesting/exercise.

#### **9. Malus and clawback**

Awards may be reduced at any time before they vest if the Committee determines that there has been a material misstatement in the Company's financial statements and/or an error or inaccurate or misleading information which has resulted in the Awards being granted over a higher number of Ordinary Shares than would otherwise have been the case.

An Award may also be subject to clawback if, in the period of three years from the end of any relevant performance period, the Committee becomes aware that there has been a material misstatement of the Company's financial results and/or an error in assessing any applicable performance conditions. The Committee may satisfy the clawback by recovering and withholding future incentive compensation, including but not limited to the amount of any unpaid bonus, the number of Ordinary Shares under a vested but unexercised or unreleased award and/or a requirement to make a cash payment.

#### **10. Cessation of employment**

- *Cessation before vesting*

As a general rule, an Award will lapse upon a participant ceasing to hold employment or be a director within the Group prior to its vesting date.

However, if a participant ceases to be an employee or a director because of his/her death, injury, permanent disability, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Committee (i.e. a “**good leaver**”), then his Award will not lapse and will continue to vest on the date that it would have vested had he not ceased such employment or office. Also, any previously imposed holding period will continue to apply in these circumstances unless the Committee determines otherwise.

The extent to which an Award will vest in these circumstances will depend upon two factors:

- the extent to which any performance conditions have, in the opinion of the Committee, been satisfied over the original performance measurement period; and
- the pro-rating of the Award to reflect the period of time between its grant and the date of cessation, although the Remuneration Committee can decide not to pro-rate an Award if it regards it as inappropriate to do so in the particular circumstances.

Alternatively, if a participant ceases employment as a good leaver, the Remuneration Committee can decide that his/her Award will vest at or around the time when he/she leaves, subject to performance condition satisfaction (measured at that time) and time pro-rating (unless the Committee determines otherwise).

- *Cessation during holding period*

Where cessation of employment occurs during any post-vesting holding period applicable to an Award then, unless the Remuneration Committee decides that an earlier release date is justified by the circumstances, it will continue to be subject to that holding period. If, however, such cessation occurs due to the individual's gross misconduct or, if the Committee considers it appropriate, his/her bankruptcy, then the Award will immediately lapse.

## 11. Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all Awards will vest early, but normally only in respect of such time-apportioned proportion of the Ordinary Shares over which they subsist as the Committee shall determine having regard to such factors as:

- the level of achievement against any outstanding performance conditions;
- the underlying performance of the Company;
- the particular circumstances of the transaction; and
- the overall interests of Shareholders.

The Remuneration Committee can, however, decide not to time-apportion an Award if it regards it as inappropriate to do so in the particular circumstances.

As an alternative to the above provisions, the Committee may, in connection with a takeover, require a participant to surrender their existing rights under the Plan in consideration for the grant to him/her of equivalent rights over shares in the acquiring company (or a member of its group).

In the event of an internal corporate reorganisation, Awards will normally be replaced by equivalent rights over shares in a new holding company unless the Remuneration Committee decides that Awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, then the Committee may decide that Awards will vest on the basis which would apply in the case of a takeover as described above.

## 12. Variation of capital

In the event of any capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of capital, demerger, special dividend or any other event affecting the share capital of the Company, the number and/or nominal value of Ordinary Shares comprised in Awards, and/or the exercise price of an Option may be adjusted by the Remuneration Committee.

### **13. Amendments to the New LTIP**

The Committee may, at any time, amend the provisions of the New LTIP in any respect, provided that the prior approval of Shareholders in general meeting is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of Awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the New LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Prior Shareholder approval will also not be required for any amendment to performance conditions applying to an Award provided that the amendments are within the parameters of the adjustment powers of the New LTIP relating to the amendment of performance conditions where relevant.

### **14. Overseas jurisdictions**

The Committee may develop and approve overseas jurisdiction variants to the New LTIP under the terms of which Awards may be made in such a way as to satisfy or take advantage of securities and tax legislation or exchange controls in such jurisdictions. Any plan variants will otherwise be of similar structure and economic intent as the main New LTIP Awards and will count towards the individual and overall Plan limits described above.

## PART III

### 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, Western Sahara, Mauritania, the UK, Republic of Ireland and Norway, 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.

#### ***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***

On 24 January 2014, we announced that CUHL, Cairn's subsidiary company, had received an order restricting it from selling its shares in Cairn India, valued at the time at approximately US\$1 billion, pending a review of an internal Group reorganisation carried out in 2006. The order referenced retrospective tax changes introduced in 2012. Then, on 4 February 2016, as previously announced by the Company, CUHL received a final assessment order in respect of the Indian fiscal year ended 31 March 2007, issued by the IITD in the amount of INR102 billion (approximately US\$1.6 billion) plus interest back dated to 2007 totalling INR188 billion (approximately US\$2.8 billion). The final assessment order did not include any penalties which may also be applied to the final assessment (potentially up to 300% of any tax finally agreed).

The final assessment order was appealed to the ITAT which ruled on 9 March 2017 that tax in the amount of INR102 billion remained payable but that CUHL could not be required to pay interest under the relevant sections of the Indian Income Tax Act, 1961, on the basis that the legislation introduced in 2012 was a retrospective amendment and CUHL could not have anticipated that payment of tax would be required. Following the ruling of the ITAT, an amended tax demand, received on 31 March 2017, noted that late payment interest would now be charged from February 2016, i.e. from 30 days following the date of the original 2016 final assessment order. The decision of the ITAT is potentially subject to appeal.

Separately, Cairn had an appeal pending which claimed that tax had been overpaid in India in a subsequent fiscal year. Cairn's appeal in this matter was upheld by the CIT in December 2016 (although remains open to further appeal by the IITD). CUHL received a letter on 3 March from the IITD which advised that the refund due to it consequent to the CIT decision was to be effected but it would be set against the tax assessed in respect of the year ended 31 March 2007 rather than paid to the company. The exact amount of the refund due has not yet been notified to the company but is estimated at approximately US\$275 million including related interest.

Cairn strongly contests the final assessment order in respect of the fiscal year ended 31 March 2007, including the offset of the Refund against such assessment, 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 ultimately deemed due by the IITD will be limited to the assets of CUHL which had a value as at 31 December 2016 of approximately US\$750 million, and comprised principally Cairn's residual ~10% shareholding in Cairn India.

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 IITD cites that the enquiry is a consequence of amendments introduced in the 2012 Indian Finance Act which have retrospective effect. Cairn has been restricted from selling its shares in Cairn India. On completion of the Scheme, the equity and redeemable preference shares in Vedanta Limited, which Cairn will receive in consideration for its shareholding in Cairn India, will also be subject to the same restriction. 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 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. Based on the current schedule, we expect that the arbitration hearing on the merits of the case will be held in January 2018. Cairn is confident of its case under international law that the protections afforded by the Treaty have been breached by the actions of the IITD in seeking to retrospectively tax an intra-group restructuring and restrict the Company's ability to sell its residual interest in Cairn India. 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 IITD.

#### ***The value of the Residual Interest 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 Residual Interest and on its ability to realise value from the Residual Interest. The proposed merger between Vedanta Limited and Cairn India also remains subject to final regulatory approvals and once it becomes effective, 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 Residual 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 Residual Interest and on its ability to realise value from the Residual 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 IV

### 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 2017 (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
Nicoletta Giadrossi	Nil	Nil
Simon Thomson <sup>(3)</sup>	731,220	0.125%
James Smith <sup>(3)</sup>	67,237	0.012%

\* (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 2017 (being the latest practicable date prior to the publication of this document).
- (2) The interests of the Directors in Ordinary Shares together represent 0.159% (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company as at 4 April 2017 (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 2017 (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>	849,562	0.146%
Paul Mayland, Chief Operating Officer <sup>(2)</sup>	125,564	0.022%
Douglas Taylor, Deputy Finance Director <sup>(2)</sup>	90,481	0.016%
Richard Ember, Regional Director (International) <sup>(2)</sup>	4,567	0.001%
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 2017 (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 2017 (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:

	<b>Outstanding awards under the 2009 LTIP (Ordinary Shares)</b>	
	<b>Unvested awards still subject to performance conditions</b>	<b>Vested but unexercised awards</b>
<b>Director</b>		
Simon Thomson	2,693,978	231,033
James Smith	1,752,180	—
<b>PDMR</b>		
Richard Heaton	1,487,735	96,520
Paul Mayland	1,476,427	125,418
Douglas Taylor	547,346	46,940
Richard Ember	433,615	—
Brita Holstad	683,851	—
Miles Warner	206,111	—

2.5 As at 4 April 2017 (being the latest practicable date prior to publication of this document) the aggregate number of Ordinary Shares in respect of which options or other rights to subscribe had been granted by the Company was 4,148,593 (representing approximately 0.71% of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

2.6 If the authority in resolution 19 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 2017 (being the latest practicable date prior to publication of this document) would represent 0.84% 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 2017 (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:

<b>Shareholder</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of issued ordinary share capital*</b>
MFS Investment Management	82,514,821	14.15%
BlackRock	70,746,712	12.13%
Hotchkis & Wiley	28,048,952	4.81%
Kames Capital	25,174,722	4.32%
Aviva Investors	24,765,384	4.25%
Majedie Asset Management	22,762,808	3.90%
Franklin Templeton	22,009,436	3.77%
Fidelity International	17,623,914	3.02%

\* (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	£559,934
James Smith	£364,185

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 applicable 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. Under the Articles of Association (and consistent with the UK Corporate Governance Code), at each Annual General Meeting every director must retire and offer themselves for re-election. The following table sets out the date of appointment or last reappointment of each non-executive director. No compensation is payable to any non-executive director who retires at an Annual General Meeting 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.

<b>Director</b>	<b>Date of appointment or of last reappointment</b>	<b>Annual fee</b>
Ian Tyler	12 May 2016	£175,000
Todd Hunt	12 May 2016	£ 74,900
Iain McLaren	12 May 2016	£ 74,900 <sup>(1)</sup>
Alexander Berger	12 May 2016	£ 74,900
Jackie Sheppard	12 May 2016	£ 74,900 <sup>(2)</sup>
Keith Lough	12 May 2016	£ 74,900
Peter Kallos	12 May 2016	£ 74,900
Nicoletta Giadrossi	10 January 2017	£ 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.

#### *FlowStream – Stream Financing Facility*

On 2 March 2017, the Group secured a funding facility for US\$75m from FlowStream Commodities Ltd (“**FlowStream**”) in exchange for the proceeds from 4.5% of Kraken production. FlowStream’s entitlement to Kraken production reduces to 1.35% if FlowStream achieves a 10% return and reduces to 0.675% if FlowStream achieves a 15% return. An additional tranche of US\$125m in return for further proceeds from production across Kraken and Catcher is available, subject to mutual consent, at Cairn’s option. FlowStream’s sole recourse for the funding is to its production from the assets. The agreement is subject to approval from the UK Oil and Gas Authority.

#### *Exploration Finance Facility*

On 3 March 2017, Cairn entered into a NOK 500m (~US\$58m based on an exchange rate of US\$1:NOK8.597 as at 4 April 2017 (being the latest practicable date prior to the publication of this document)) Exploration Finance Facility allowing the Group to borrow against any Norwegian tax refunds from future exploration. The facility is provided by BNP Paribas and Commonwealth Bank of Australia. Interest on outstanding debt will be charged at NIBOR (Norwegian Interbank Offered Rate) plus an applicable margin. The facility is available to draw until 31 December 2018 and the final maturity is 31 December 2019.

### *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 2013 and 4 April 2017 (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 2014, 31 December 2015 and 31 December 2016 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 2014, 31 December 2015 and 31 December 2016.

The information incorporated by reference for the period ended 31 December 2016 can be found on pages 98 to 124 and in note 7.8 on page 176 of the 2016 Annual Report and Accounts.

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 annual report and accounts for the period ended 31 December 2014.

- 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 2017 to 31 March 2017:

*(a) Remuneration of key management personnel*

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

	<u>US\$M</u>
Short-term employee benefits	1.7
Pension contributions	0.1
Share-based payments	<u>1.0</u>
	2.8

- (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	2.2
Amounts invoiced from subsidiaries	1.1
Finance income – dividends received	—
	<u>US\$M</u>
<b>Balances as at 4 April 2017</b>	
Amounts owed by subsidiary undertakings	0
Amounts owed to subsidiary undertakings	<u>66.2</u>
	66.2

## 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***

On 24 January 2014, we announced that CUHL, Cairn's subsidiary company, had received an order restricting it from selling its shares in Cairn India, valued at the time at approximately US\$1 billion, pending a review of an internal Group reorganisation carried out in 2006. The order referenced retrospective tax changes introduced in 2012. Then, on 4 February 2016, as previously announced by the Company, CUHL received a final assessment order in respect of the Indian fiscal year ended 31 March 2007, issued by the IITD in the amount of INR102 billion (approximately US\$1.6 billion) plus interest back dated to 2007 totalling INR188 billion (approximately US\$2.8 billion). The final assessment order did not include any applicable penalties which may also be applied to the final assessment (potentially up to 300% of any tax finally agreed).

The final assessment order was appealed to the ITAT which ruled on 9 March 2017 that tax in the amount of INR102 billion remained payable but that CUHL could not be required to pay interest under the relevant sections of the Indian Income Tax Act, 1961, on the basis that the legislation introduced in 2012 was a retrospective amendment and CUHL could not have anticipated that payment of tax would be required. Following the ruling of the ITAT, an amended tax demand, received on 31 March 2017, noted that late payment interest would now be charged from February 2016, i.e. from 30 days following the date of the original 2016 final assessment order. The decision of the ITAT is potentially subject to appeal.

Separately, Cairn had an appeal pending which claimed that tax had been overpaid in India in a subsequent fiscal year. Cairn's appeal in this matter was upheld by the CIT in December 2016 (although remains open to further appeal by the IITD). CUHL received a letter on 3 March from the IITD which advised that the refund due to it consequent to the CIT decision was to be effected but it would be set against the tax assessed in respect of the year ended 31 March 2007 rather than paid to the Company. The exact amount of the refund due has not yet been notified to the company but is estimated at approximately US\$275 million including related interest.

Cairn strongly contests the final assessment order in respect of the fiscal year ended 31 March 2007, including the offset of the Refund against such assessment, 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 IITD will be limited to the assets of CUHL which had a value as at 31 December 2016 of approximately US\$750 million, and comprised principally Cairn's residual ~10% shareholding in Cairn India.

As a result of the actions taken by the IITD, on 11 March 2015, Cairn filed a Notice of Dispute under The UK-India Investment 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 Treaty. Cairn's statement of claim was submitted to the arbitration panel on 28 June 2016 and the Government of India submitted its statement of defence on 4 February 2017. Based on the current schedule, we expect that the arbitration hearing on the merits of the case will be held in January 2018.

Cairn continues to be restricted from selling its shares in Cairn India. However, supported by detailed legal advice on the strength of the legal protections available to it under international law, Cairn strongly contests the actions of the IITD in these matters. 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 Cairn India shares.

## **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 2016, 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 INR242.15 on 31 December 2016 (being the date to which the last annual consolidated accounts of the Group were prepared) to INR305.05 on 3 April 2017 (the latest practicable date before the publication of this document), leading to a 26.0% 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 31.7% over the period. As at 4 April 2017, the market value of the Group's residual interest in Cairn India was approximately US\$0.9 billion, based on an exchange rate of US\$1: INR65.04. 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. 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 2017 (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 2014, 2015 and 2016;
- (iv) the rules of the New LTIP; and
- (v) this document.

#### **12. Consent**

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

**Date: 6 April 2017**

## 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);
“2016 Annual Report and Accounts”	the annual report and accounts of the Company for the year ended 31 December 2016;
“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 Friday, 19 May 2017;
“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/ Vedanta Limited;
“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 Guidance and Transparency Rules”	the Disclosure Guidance and Transparency Rules of the FCA;
“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;
“New LTIP”	the Cairn Energy PLC Long Term Incentive Plan (2017);
“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;
“Vedanta”	Vedanta Resources plc, incorporated in England and Wales with registered number 04740415; and
“Vedanta Limited”	Vedanta Limited, incorporated in India with company identification number LI3209GA1965PLC000044

## 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 Friday, 19 May 2017 for the following purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 16 and 21 and 22 will be proposed as ordinary resolutions and resolutions 17 to 20 will be proposed as special resolutions:

- 1) That the reports and accounts for the year ended 31 December 2016 be received.
- 2) That the directors’ remuneration report (excluding the directors’ remuneration policy referred to in resolution 3 below) contained within the report and accounts for the year ended 31 December 2016 be approved.
- 3) That the directors’ remuneration policy set out on pages 101 to 110 (inclusive) of the report and accounts for the year ended 31 December 2016 be approved.
- 4) That PricewaterhouseCoopers LLP be re-appointed as auditor of the Company.
- 5) That the directors be authorised to determine the auditor’s remuneration.
- 6) That Ian Tyler be re-elected as a director.
- 7) That Todd Hunt be re-elected as a director.
- 8) That Iain McLaren be re-elected as a director.
- 9) That Alexander Berger be re-elected as a director.
- 10) That M. Jacqueline Sheppard QC be re-elected as a director.
- 11) That Keith Lough be re-elected as a director.
- 12) That Peter Kallos be re-elected as a director.
- 13) That Nicoletta Giadrossi be re-elected as a director.
- 14) That Simon Thomson be re-elected as a director.
- 15) That James Smith be re-elected as a director.
- 16) 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 £2,657,080.73;
  - (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 £2,657,080.73 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 2018 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2018, 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.

17) That:

- (a) subject to the passing of resolution 16 set out in the notice of Annual General Meeting dated 6 April 2017 (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 £398,601.97;
  - (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.

18) That:

- (a) subject to the passing of resolution 16 set out in the notice of Annual General Meeting dated 6 April 2017 (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:
  - (i) limited to the allotment of equity securities or the sale of treasury shares up to a maximum nominal amount of £398,601.97; and
  - (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months of the original transaction) a transaction which the directors of the Company determine to

be an acquisition of other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

- (b) the power given by this resolution 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 and the Directors may allot equity securities and sell treasury shares under any such offer or agreement as if the power conferred by this resolution had not expired.
- 19) 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 87,427,043 (representing 14.99% of the Company’s issued ordinary share capital at 4 April 2017);
  - (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 2018 or at the end of the next annual general meeting of the Company to be held in 2018, 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.
- 20) 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 2018.
- 21) That:
- a) the Cairn Energy PLC Long Term Incentive Plan (2017) (the “**New LTIP**”), constituted by the rules produced to the Meeting and signed by the Chairman for the purposes of identification (the principal terms of which are summarised in Part II of the circular to shareholders accompanying this Notice) (the “**New LTIP Rules**”), be and is hereby approved and the Board or any duly authorised committee thereof be and they are hereby authorised to adopt the New LTIP Rules, subject to such non material modifications as the Board or such committee may consider necessary or desirable to take account of the requirements of the UK Listing Authority, and to do all acts and things necessary or expedient to bring into effect and operate the New LTIP; and
  - b) the Board be and is hereby authorised and empowered to establish further plans based on the New LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the individual and plan limits set out in the New LTIP.
- 22) 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 2018 or at the end of the next annual general meeting of the Company to be held in 2018.

**By Order of the Board**

Duncan Wood  
Company Secretary  
50 Lothian Road  
Edinburgh EH3 9BY

6 April 2017

**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 19 May 2017 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 Wednesday, 17 May 2017, 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 Wednesday, 17 May 2017 (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 2017 (being the latest practicable time before printing this Notice of Annual General Meeting), the Company's issued share capital comprised 583,235,781 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 2017 was 583,235,781.
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 2016 entitled 'Board of Directors', 'Directors' Report', 'Strategic Report', 'Corporate Governance Statement', and 'Directors' Remuneration Report'.

