CAIRN ENERGY PLC
(incorporated in Scotland with registered number SC226712)

Notice of Annual General Meeting
Proposed renewal of authority to dispose of or reduce the Group’s interest in Vedanta Limited

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 2018 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 Tuesday 15 May 2018, 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 Friday 11 May 2018. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 12.00 noon (BST) on Friday 11 May 2018 (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 Friday, 11 May 2018. 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 Interest Disposal Authority and will not be responsible to anyone other than Cairn for providing the protections afforded to customers of Rothschild nor for providing advice in connection with proposed renewal of the Interest Disposal Authority or the contents of this document or any other matter referred to herein.

Save for the responsibilities and liabilities, if any, of Rothschild under FSMA or the regulatory regime established under FSMA, Rothschild assumes no responsibility whatsoever and makes no representations or warranties, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by the Company, or on the Company’s behalf, or by Rothschild, or on its behalf, and nothing contained in this document is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with the Group or the proposed renewal of the Interest Disposal Authority. Rothschild accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

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

This document is a circular relating to the Annual General Meeting and the proposed renewal of the 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. In this document all current currency valuations are, unless otherwise stated, expressed as at 9 April 2018 being the latest practicable date prior to the publication of this document.
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HELPLINE

Questions of a factual nature relating to the resolutions to be proposed at the Annual General Meeting may be directed to the Company’s registrars, Equiniti, using the telephone helpline number 0371 384 2660 (for calls from within the United Kingdom) and +44 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (BST) on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

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

Dear Shareholder

Notice of Annual General Meeting and the renewal of authority to dispose of or reduce the Group’s interest in Vedanta Limited

1. Introduction

I am pleased to invite you to the Company’s annual general meeting which will be held in the Castle Suite of The Caledonian, a Waldorf Astoria Hotel, Princes Street, Edinburgh EH1 2AB at 12.00 noon (BST) on Tuesday 15 May 2018. Enclosed with this letter are the 2017 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 19 May 2017) to dispose of all or part of the Group’s interest in Vedanta Limited (formerly held in Cairn India Limited). Due to the value of Cairn’s interest in Vedanta Limited, the further renewal of such authority requires shareholder approval and the inclusion in this document of more information than we would ordinarily include in our Annual General Meeting circular.

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

2. Indian Income Tax Department enquiry

In January 2014 Cairn received notification from the Indian Income Tax Department (the ‘ITD’) that Cairn’s subsidiary CUHL was restricted from selling its 184,125,764 shares in Cairn India Limited (“CIL”), representing approximately a 10% shareholding in CIL which at that time had a market valuation of INR 59.8 billion (currently US$0.9 billion).

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

Following the subsequent merger of CIL and Vedanta Limited, CUHL’s shareholding in CIL has been replaced by an approximately 5% shareholding in Vedanta Limited issued together with preference shares, which are both
The current market value of CUHL’s equity and preference shares in Vedanta Limited is together INR 59.2 billion (approximately US$0.9 billion).

In addition to attaching CUHL’s shares in Vedanta Limited, the ITD has seized dividends due to CUHL totalling INR 6.7 billion (currently US$103 million). The ITD has also notified Cairn that a tax refund of INR 15.9 billion (currently US$245 million), due to CUHL as a result of overpayment of capital gains tax in a separate matter in 2011, has been applied as partial payment toward the tax assessment of the 2006 Transactions.

The assessment issued in February 2016 by the ITD of principal tax due on the 2006 Transactions is for INR 102 billion (currently US$1.6 billion), plus applicable interest and penalties. On 9 March 2017, the Income Tax Appellate Tribunal, Delhi (“ITAT”) issued an order in which it was held that CUHL should not be required to pay interest under certain sections of the Indian Income Tax Act, 1961, on the basis that the tax payable had “arisen because of retrospective amendment” and that CUHL “could not have visualized” such liability when it carried out the transfers in 2006. Interest is currently being charged on the principal at a rate of 12% per annum from February 2016, although this is subject to the ITD’s Indian high court appeal that interest should be back dated to 2007 and therefore amounts to INR 188 billion (currently US$2.89 billion). Penalties are currently assessed as 100% of the principal tax due, although this is subject to appeal by CUHL that penalties should not be charged. Cairn is contesting the tax proceedings in India.

Under any circumstances, the maximum amount that could ultimately be recovered from Cairn by the ITD is limited to the value of CUHL’s net assets which mainly comprise the ordinary and preference shares in Vedanta Limited plus the dividends seized previously or in the future and the withheld tax refund.

In March 2015 Cairn filed a Notice of Dispute under the UK-India Bilateral Investment Treaty (the “Treaty”) in order to protect its legal position and seek restitution of the value effectively seized by the ITD in and since January 2014. Cairn’s principal claims are that the assurance of fair and equitable treatment and protections against expropriation afforded by the Treaty have been breached by the actions of the ITD which is seeking to apply retrospective taxes to historical transactions already closely scrutinised and approved by the Government of India, and has attached and seized assets to try to enforce such taxation. Cairn’s plea is therefore that the effects of the tax assessment should be nullified and Cairn should receive recompense from India for the loss of value resulting from the 2014 attachment of CUHL’s shares in CIL and the withholding of the tax refund which together total approximately INR 82.4 billion (currently US$1.3 billion).

The Treaty proceedings formally commenced in January 2016 following agreement between Cairn and the Republic of India on the appointment of a panel of three international arbitrators under the terms of the Treaty. Cairn’s statement of claim was submitted to the arbitral tribunal in June 2016 and the Republic of India submitted its statement of defence in February 2017. A period of further submissions and document production has been ongoing. In September 2017 the arbitral tribunal confirmed the schedule for the remainder of the arbitration, with final hearings being in August 2018 and the tribunal’s ruling issued expeditiously thereafter.

3. **Background to and terms of Interest Disposal Authority**

The Company’s interest of approximately 5% of the equity shares and 736,503,056 redeemable preference shares of INR 10 each in Vedanta Limited (the “Vedanta Limited Interest”), 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 Vedanta Limited Interest currently requires Shareholder approval under the Listing Rules. As noted above, at last year’s annual general meeting held on 19 May 2017, Shareholders authorised the Board to dispose of all or part of the Company’s then residual interest in CIL. As also noted above, Cairn is at present restricted by the ITD from selling its shares in Vedanta Limited. Nevertheless, Cairn believes it is appropriate to retain the flexibility to realise shareholder value from the Vedanta Limited Interest in the event that the Company is able to and chooses to make such a disposal following a favourable determination or settlement of the international arbitration proceedings or the appeal to the Delhi High Court.

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 Vedanta Limited Interest at or as close as reasonably possible to the prevailing market price if and when the Company is able and 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 Vedanta Limited or any offer involving Vedanta Limited.

The Company only intends to utilise the Interest Disposal Authority where it believes that a sale is in the best interests of Shareholders as a whole. No decision has been taken as at the date of the document on how the net proceeds of any such sale(s) would be applied.

Provided that the resolution is passed at the Annual General Meeting, the Interest Disposal Authority, unless renewed, will expire on the earlier of 30 June 2019 (the last date on which the Company’s annual general meeting for 2019 could be held) or at the end of the Company’s annual general meeting for 2019. Prior to that date the Company will assess the necessity and desirability of renewing the authority. Any disposal outside of the scope of the Interest Disposal Authority will remain subject to the requirements for significant transactions under Listing Rule 10.

4. Information on Vedanta Limited and the Vedanta Limited Interest

Vedanta Limited

Vedanta Limited is a global diversified natural resources company and currently has a market capitalisation in excess of US$16 billion based on an exchange rate of US$1:INR 65.03 (as at 9 April 2018). 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 has the following interests in mineral reserves and resources:

**Copper mine resource and reserve summary**

<table>
<thead>
<tr>
<th>Mine</th>
<th>Measured and indicated million mt</th>
<th>Copper grade %</th>
<th>Inferred million mt</th>
<th>Copper grade %</th>
<th>Proved and probable reserves million mt</th>
<th>Copper grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mt Lyell (CMT)</td>
<td>29.6</td>
<td>1.09</td>
<td>30</td>
<td>1.06</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

*Source: Vedanta Annual Report and Accounts for the year ended 31 March 2017*

**Bauxite mine resource and reserve summary**

<table>
<thead>
<tr>
<th>Mine</th>
<th>Measured and indicated million mt</th>
<th>Aluminium grade %</th>
<th>Inferred million mt</th>
<th>Aluminium grade %</th>
<th>Proved and probable reserves million mt</th>
<th>Aluminium grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALCO Mainpat</td>
<td>9.0</td>
<td>44.8</td>
<td>1.1</td>
<td>45.1</td>
<td>5.1</td>
<td>43.3</td>
</tr>
<tr>
<td>Bodai-Daldali</td>
<td>4.8</td>
<td>45.2</td>
<td>1.0</td>
<td>45.8</td>
<td>2.4</td>
<td>43.6</td>
</tr>
<tr>
<td><strong>Total BALCO</strong></td>
<td><strong>13.8</strong></td>
<td><strong>44.9</strong></td>
<td><strong>2.1</strong></td>
<td><strong>45.4</strong></td>
<td><strong>7.5</strong></td>
<td><strong>43.4</strong></td>
</tr>
<tr>
<td>MALCO Kolli Hills and Yercaud</td>
<td>0.8</td>
<td>44.0</td>
<td>—</td>
<td>—</td>
<td>0.2</td>
<td>43.0</td>
</tr>
</tbody>
</table>

*Source: Vedanta Annual Report and Accounts for the year ended 31 March 2017*
Zinc and lead mine resource and reserve summary

Zinc India

<table>
<thead>
<tr>
<th>Mine</th>
<th>Measured and indicated million mt</th>
<th>Zinc grade %</th>
<th>Lead grade %</th>
<th>Inferred million mt</th>
<th>Zinc grade %</th>
<th>Lead grade %</th>
<th>Proved and probable reserves million mt</th>
<th>Zinc grade %</th>
<th>Lead grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rampura Agucha</td>
<td>13.4</td>
<td>15.8</td>
<td>2.1</td>
<td>36.9</td>
<td>10.1</td>
<td>2.5</td>
<td>49.7</td>
<td>13.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Rajpura Dariba</td>
<td>22.5</td>
<td>6.8</td>
<td>2.4</td>
<td>27.7</td>
<td>6.6</td>
<td>1.8</td>
<td>9.0</td>
<td>6.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Zawar</td>
<td>23.9</td>
<td>4.6</td>
<td>1.9</td>
<td>61.8</td>
<td>4.7</td>
<td>2.5</td>
<td>9.5</td>
<td>3.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Kayad</td>
<td>1.3</td>
<td>13.8</td>
<td>1.9</td>
<td>0.4</td>
<td>7.3</td>
<td>1.2</td>
<td>5.4</td>
<td>7.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Sindesar Khurd</td>
<td>17.4</td>
<td>4.5</td>
<td>3.1</td>
<td>69.8</td>
<td>3.7</td>
<td>1.9</td>
<td>35.6</td>
<td>4.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Bambia Kalan</td>
<td>5.4</td>
<td>4.5</td>
<td>1.6</td>
<td>16.4</td>
<td>3.7</td>
<td>1.8</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td><strong>83.9</strong></td>
<td><strong>7.1</strong></td>
<td><strong>2.3</strong></td>
<td><strong>211.4</strong></td>
<td><strong>5.5</strong></td>
<td><strong>2.2</strong></td>
<td><strong>109.1</strong></td>
<td><strong>8.9</strong></td>
<td><strong>2.1</strong></td>
</tr>
</tbody>
</table>

Source: Vedanta Annual Report and Accounts for the year ended 31 March 2017

Zinc International

<table>
<thead>
<tr>
<th>Mine</th>
<th>Measured and indicated million mt</th>
<th>Zinc grade %</th>
<th>Lead grade %</th>
<th>Inferred million mt</th>
<th>Zinc grade %</th>
<th>Lead grade %</th>
<th>Proved and probable reserves million mt</th>
<th>Zinc grade %</th>
<th>Lead grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skorpion</td>
<td>2.08</td>
<td>9.59</td>
<td>—</td>
<td>1.44</td>
<td>9.14</td>
<td>—</td>
<td>4.23</td>
<td>9.91</td>
<td>—</td>
</tr>
<tr>
<td>BMM – Deeps</td>
<td>6.99</td>
<td>3.27</td>
<td>3.38</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6.05</td>
<td>2.85</td>
<td>2.49</td>
</tr>
<tr>
<td>BMM – Swartberg</td>
<td>45.35</td>
<td>0.53</td>
<td>3.21</td>
<td>4.74</td>
<td>0.82</td>
<td>2.79</td>
<td>2.07</td>
<td>0.62</td>
<td>3.73</td>
</tr>
<tr>
<td>BMM – Gamsberg</td>
<td>97.91</td>
<td>6.20</td>
<td>0.54</td>
<td>64.36</td>
<td>7.81</td>
<td>0.52</td>
<td>53.18</td>
<td>6.63</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Source: Vedanta Annual Report and Accounts for the year ended 31 March 2017

Iron ore resource and reserve summary*

<table>
<thead>
<tr>
<th>Mine</th>
<th>Measured and indicated million mt</th>
<th>Iron ore grade %</th>
<th>Inferred million mt</th>
<th>Iron ore grade %</th>
<th>Proved and probable reserves million mt</th>
<th>Iron ore grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore Sesa</td>
<td>161.9</td>
<td>50.7</td>
<td>28.2</td>
<td>54.5</td>
<td>193.6</td>
<td>55.4</td>
</tr>
</tbody>
</table>

Source: Vedanta Annual Report and Accounts for the year ended 31 March 2017

Oil and gas resource and reserve summary

Vedanta Limited’s management’s internal estimates of hydrocarbon reserves and resources as at 31 March 2017 were as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Gross proved and probable hydrocarbons initially in place</th>
<th>Gross proved and probable reserves and resources</th>
<th>Net working interest proved and probable reserves and resources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(mmboe)</td>
<td>(mmboe)</td>
<td>(mmboe)</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Rajasthan MBA Fields</td>
<td>2,197</td>
<td>2,208</td>
<td>410</td>
</tr>
<tr>
<td>Rajasthan MBA EOR</td>
<td>—</td>
<td>—</td>
<td>272</td>
</tr>
<tr>
<td>Rajasthan Block Other Fields</td>
<td>4,034</td>
<td>4,189</td>
<td>478</td>
</tr>
<tr>
<td>Ravva fields</td>
<td>696</td>
<td>706</td>
<td>41</td>
</tr>
<tr>
<td>CBOS/2 Fields</td>
<td>225</td>
<td>215</td>
<td>23</td>
</tr>
<tr>
<td>Other fields</td>
<td>335</td>
<td>481</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,486</strong></td>
<td><strong>7,799</strong></td>
<td><strong>1,273</strong></td>
</tr>
</tbody>
</table>

Source: Vedanta Annual Report and Accounts 31 March 2017
Vedanta Limited’s net working interest proved and probable reserves as at 31 March 2017 were as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Proved and probable reserves</th>
<th>Proved and probable reserves (developed)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil (mmstb)</td>
<td>Gas (bscf)</td>
</tr>
<tr>
<td>Reserves as of 1 April 2015**</td>
<td>219.94</td>
<td>86.33</td>
</tr>
<tr>
<td>Additions / revision during the year</td>
<td>(13.83)</td>
<td>(24.96)</td>
</tr>
<tr>
<td>Production during the year</td>
<td>45.91</td>
<td>6.32</td>
</tr>
<tr>
<td>Reserves as of 31 March 2016***</td>
<td>160.20</td>
<td>55.05</td>
</tr>
<tr>
<td>Additions / revision during the year</td>
<td>(4.81)</td>
<td>(2.48)</td>
</tr>
<tr>
<td>Production during the year</td>
<td>43.43</td>
<td>4.84</td>
</tr>
<tr>
<td>Reserves as of 31 March 2017****</td>
<td>111.96</td>
<td>47.72</td>
</tr>
</tbody>
</table>

Source: Vedanta Annual Report and Accounts for the year ended 31 March 2017

* On 8 February 2018 Vedanta announced that the Supreme Court of India has stopped all mining operations in the state of Goa with effect from March 16, 2018. Vedanta Limited announced that “the mining lease holders who have been granted the second renewal are given time to manage their affairs and may continue their mining operations till March 15, 2018. However, they are directed to stop all mining operations with effect from March 16, 2018 until fresh mining leases and fresh environmental clearances are granted”. Vedanta Limited announced that it is “assessing the financial and operational impact” of the Supreme Court judgment.

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

*** Includes probable oil reserves of 40.05 mmstb (of which 27.31 mmstb is developed) and probable gas reserves of 29.80 bscf (of which 5.81 bscf is developed)

**** Includes probable oil reserves of 32.37 mmstb (of which 20.62 mmstb is developed) and probable gas reserves of 37.84 bscf (of which 4.92 bscf is developed)

mmbboe = 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
BALCO = Bharat Aluminium Company Limited, a company incorporated in India
MALCO = The Madras Aluminium Company Limited, a company incorporated in India
MBA = Mangala, Bhagyam & Aishwariya
EOR = Enhanced Oil Recovery

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

**Vedanta Limited**

<table>
<thead>
<tr>
<th>Month</th>
<th>Closing Share price (INR)</th>
<th>Imputed value of entire holding (INRm)</th>
<th>Imputed value of entire holding (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2017</td>
<td>331.85</td>
<td>61,102</td>
<td>945.0</td>
</tr>
<tr>
<td>November 2017</td>
<td>295.45</td>
<td>54,400</td>
<td>842.5</td>
</tr>
<tr>
<td>December 2017</td>
<td>329.90</td>
<td>60,743</td>
<td>951.3</td>
</tr>
<tr>
<td>January 2018</td>
<td>340.35</td>
<td>62,665</td>
<td>983.9</td>
</tr>
<tr>
<td>February 2018</td>
<td>329.75</td>
<td>60,715</td>
<td>931.5</td>
</tr>
<tr>
<td>March 2018</td>
<td>277.85</td>
<td>51,159</td>
<td>785.4</td>
</tr>
<tr>
<td>9 April 2018 (latest practicable date)</td>
<td>281.35</td>
<td>51,804</td>
<td>796.6</td>
</tr>
</tbody>
</table>

Source: Bloomberg, including prevailing US$:INR rates

As at 9 April 2018, 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 Vedanta Limited during the previous three years.

On 16 June 2017, the ITD issued a garnishee order to Vedanta Limited in respect of unpaid dividends of approximately US$103 million that were due to CUHL. The dividends were paid by Vedanta Limited to the ITD the following day. An interim dividend was announced by Vedanta Limited on 13 March 2018. The record date for the purpose of payment of this dividend is 21 March 2018 and payment is expected in mid-April. CUHL would receive a dividend totalling INR 4.4 billion in respect of its Vedanta Limited shareholding. The Company anticipates that these dividends could be seized pursuant to the garnishee order.
The Company retains an equity shareholding in Vedanta Limited of approximately 5% and 736,503,056 redeemable preference shares of INR 10 each which are held as an available for sale financial asset on the Group’s balance sheet. As at 31 December 2017, the fair value of the Company’s interest in Vedanta Limited was US$1,072 million (extracted without material adjustment from the Group’s audited consolidated financial accounts for the year ended 31 December 2017). As at 9 April 2018, being the latest practicable date prior to the publication of this document, the market value of the Company’s interest in Vedanta Limited was approximately US$0.9 billion, based on an exchange rate of US$1:INR 65.03.

The Company’s future results will reflect any disposals of Vedanta Limited equity shares or redemption of redeemable preference shares through a reduction in available for sale financial assets, on a market-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 Vedanta Limited shares. Shareholders should read the whole of this document and not rely solely on the summarised financial information above.

5. Current trading and prospects

On 13 March 2018, the Company published its results for the year ending 31 December 2017, which contained the following statements:

**Senegal**

The third phase of drilling took place in 2017, completing the appraisal activity for the development of SNE. Cairn successfully drilled five exploration and appraisal wells in the year: SNE-5, VR-1, SNE-6, FAN South-1 and SNE North-1.

The SNE-5 and SNE-6 wells were drilled and successfully tested and an interference test was completed between the two wells confirming reservoir connectivity. The VR-1 well confirmed the predictability of the mapped reservoir but was unsuccessful at a deeper carbonate horizon.

The FAN South-1 well results are being integrated with the FAN-1 basin discovery to assess greater FAN complex potential. The SNE North-1 well encountered a deeper and separate reservoir to the SNE field and further work is underway to determine commerciality.

The SNE North-1 well has positive implications for further hydrocarbon potential. The drilling operations were completed under budget and significantly ahead of schedule. Once again, the campaign was delivered with an excellent health, safety, environment and corporate responsibility performance.

The JV has passed the development concept for the SNE field and is aligned on a phased and cost effective development plan. The first phase will focus on the lower S500 reservoirs. A vessel with a capacity of ~100,000 bopd is being targeted. Cairn estimates up to 25 wells in the initial development phase, targeting ~240 mmbbls.

Subsequent phases of the development, which are anticipated to follow phase one after two to four years, will target >250 mmbbls in the S400 upper reservoir and include potential gas export. These are also expected to focus on maximising the economic recovery of the field within the twenty five year term of the PSC, for which a ten year extension is also provided.

The key deliverables for SNE development of geophysical, environmental baseline and geotechnical surveys have all been completed. Invitations to tender have commenced with major FPSO and subsea infrastructure contractors, with a redeployed FPSO seen as the preferred development option. Detailed work has also commenced on project debt financing.

The development timetable is now focused on the JV’s Evaluation Report which will outline the basis of commerciality of the project. The Evaluation Report is close to finalisation and is expected to be submitted to the Government of Senegal in H1 2018. Key work is also progressing on detailed concept and front end engineering and design (“**FEED**”) with preferred contractors beginning in H2 2018.

The Exploitation Plan which will outline the full life of the PSC development plans and options, including a detailed definition of the first phase, is targeted for submission in H2 2018. At the same time the formal transfer of operatorship of the development to Woodside will commence. Government approval is targeted for the end of 2018, with the final investment decision thereafter. First oil from Senegal is expected in the period 2021-2023.
Alongside development planning, we are evaluating the potential for further exploration opportunities around the SNE discovery where there is significant untested prospectivity.

UK & Norway

The UK and Norway is a core region for Cairn where the company has an extensive portfolio across a variety of plays. We have built a balanced portfolio of exploration, appraisal and development assets.

Cairn has a material exploration drilling campaign underway with up to ten wells planned, subject to partner approvals, targeting ~725 mmboe net unrisked resources. This includes, Ekland, which is Cairn’s first operated UK exploration well and is expected to spud in Q3 2018 (Cairn 45% WI).

The Tethys well has reached target depth and operations are continuing. The Raudåsen exploration well spudded in Q1 2018 and is currently operating.

Developments

The three developments of Catcher, Kraken and Nova are a key part of our strategy to build steady future cash flows to sustain the business model and fund future exploration and appraisal across the group.

Kraken

Kraken is a large heavy oil accumulation, located in the East Shetland basin, ~125km east of the Shetland Islands. Following first oil from Kraken in June 2017, the development had a number of FPSO commissioning issues resulting in an extended commissioning phase during which the performance of production facilities has continued to be optimised, initially through the first processing train. The second processing train was brought online in November, resulting in gross production rates of more than 40,000 bopd. All Drill Centre (“DC”) 3 wells have now been brought online and operational efficiency has improved. In January and February 2018, average gross production was consistently between 40-50,000 bopd when all 11 producers and 10 injectors were on line.

Completion of firm development drilling with the DC4 well campaign in the central part of the field is expected to commence later this year. The cost of this programme has been reduced following the renegotiated terms agreed with Transocean.

Following the delivery of the DC3 drilling programme and lower market rates for the remaining subsea campaign, full cycle gross Kraken project capex was further reduced during the year and is currently estimated by the operator to be more than 25% lower than originally sanctioned.

With regular liftings now established from Kraken, there has been strong interest in this crude from European, US and Asian buyers and consequently the average discount to Brent is expected to narrow.

Catcher

Catcher lies in the UK Central North Sea, ~180km off the North East coast of Scotland and comprises three separate fields: Catcher, Burgman and Varadero. The fields will be produced from up to 20 subsea wells with a combination of production and water injection wells tied back via subsea infrastructure to the newly built BW Catcher FPSO. The vessel receives, processes and stores crude oil from the Catcher area and exports associated gas.

The FPSO hull was built and the topsides constructed in Singapore before arriving on location in October. Successful commissioning activities resulted in the start-up of Catcher with first oil in December 2017.

As planned, production has been ramped up in phases, firstly from the Catcher field, then Varadero in January which will be followed shortly by Burgman. Production levels have been deliberately constrained during the ramp up phase while commissioning of the full gas processing modules and the water injection systems on the FPSO is being carried out. Full production from the Catcher area of 60,000 bopd (gross) is expected in Q2 2018. The first two export cargos of over 500,000 barrels each were lifted in January and February and sold at a premium to Brent.
Drilling activities have continued, with 14 production and injection wells drilled and completed with positive reservoir results, with 12 of these wells being tied in ahead of first oil. The rig is currently drilling the CCP6 well on the second Catcher template and will drill a further Catcher well before moving to the Burgman field. A total of 18 wells will be drilled by September 2018 before a planned drilling break. The operator remains encouraged about the overall recovery from the Catcher area and continues to forecast peak plateau production of ~60,000 bopd (gross), 20% higher than the production level envisaged when the project was sanctioned.

**Nova**

The planned Nova development sits ~16km south west of the Gjøa Field in Norway. The JV has completed FEED for the Nova development. Based on the proposed plan, hydrocarbons from the Nova 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. One template will be used for water injection, while the other will be used to produce hydrocarbons.

In Q1 2018, the operator awarded the contracts for the subsea production system and umbilicals, risers and flowlines, which allows the JV to progress towards the execution phase of the project with the plan for development and operation anticipated for submission to the Government in Q2 2018. It is expected that debt funding from existing reserves based lending facility will be available to fund the development. First oil is targeted in 2021 and expected to deliver gross plateau production of 50,000 bopd.

**International Exploration**

Cairn was successful in securing both of our targeted, two new licences in the highly competitive Mexico offshore bid round in H1 2017. The company was awarded one operated and one non-operated licence located in the Gulf of Mexico in the shallow water Sureste basin in water depths of 100-500 metres and ~50km offshore.

These licence awards provide an exciting opportunity to build a portfolio over time in this highly prolific yet under-explored region. Cairn and its partners identified and secured favoured blocks with multiple stand-alone prospects and numerous follow-on tie-back opportunities based on 3D seismic data.

Cairn is partnering with ENI, an experienced explorer and operator in Mexico, and Citla Energy, a Mexican focused Exploration Company and we look forward to working with our new partners and the Government of Mexico to deliver the work programme in the coming years. The approval process is underway to commence drilling three wells in 2019 and a fourth well in 2020 on Blocks 7 and 9 (offsetting recent world class discoveries), targeting more than 1 billion boe gross unrisked potential resource. Cairn plans to submit an Exploration Plan to the Government of Mexico in March on the operated block 9 and following approval will commence the four year period of the licence.

In Q1 2018, Cairn was awarded an operated exploration agreement (Cairn 100% WI) and is in final negotiations on the PSC with Staatsolie on acreage in the Demerara plateau offshore Suriname with 2D seismic and contingent 3D seismic activity and significant future drilling opportunity. The licence covers an area of ~13,000 km2 and has a conjugate margin to Senegal where Cairn has significant proprietary data.

In Q1 2017, Cairn advised the Maltese Continental Shelf Department that it would not be extending its Exploration Study Agreement for Area 3, Blocks 1, 2 and 3. Cairn and its JV partner, had fully explored its offshore licences in the Ragusa Basin between 2012 – 2017 through the acquisition and evaluation of 5,500km2 of new and reprocessed 3D seismic. All licence commitments were exceeded.

At the year end 2017, Cairn along with the Operator, Kosmos Energy, relinquished the interest in the Boujodur Maritime licence offshore Western Sahara. The JV will fulfil its contractual obligations and complete the 3D seismic acquisition currently underway. In Ireland, Cairn has a growing acreage position in the Porcupine Basin with an interest in five licences over an area of more than 4,000km2. In the year, Cairn farmed in to LO 16/19 (Cairn 70% WI, operatorship) which added further acreage to the previously awarded adjacent LO 16/18.

Activity in 2017 focused on developing a lead and prospect inventory across the licences 16/19 and 16/18 where the company participated in a large multi-client 3D acquisition programme to be processed in 2018. Cairn also farmed-in to FEL 2/14 and participated in one unsuccessful exploration well with operator Providence Resources; the 53/6-1 well, which spud in H2 2017 and targeted two large stratigraphic traps, Druid and the deeper independent Drombeg target. This was the deepest water exploration well drilled to date offshore Atlantic Ireland.

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

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

There are 19 resolutions to be proposed at the Annual General Meeting. Resolutions 1 to 14 and 19 are to be proposed as ordinary resolutions and accordingly will be passed if more than 50% of the votes cast are in favour. Resolutions 15 to 18 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 2017, 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 101 to 127 (inclusive) of the 2017 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.

At the annual general meeting held on 19 May 2017, Shareholders approved a new directors’ remuneration policy for the Company. As the Company does not propose to make any changes to this policy in 2018, it does not require to be re-approved by Shareholders at the Annual General Meeting. Although the Company is not required to do so, the substantive terms of the directors’ remuneration policy are repeated in the 2017 directors’ remuneration report for ease of reference.

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

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

5 to 13 In accordance with the UK Corporate Governance Code, Ian Tyler, Todd Hunt, 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.

Iain McLaren, the Company’s Senior Independent Non-Executive Director has informed the Board that he will not be seeking re-election at the Annual General Meeting and will retire from the Company on that day. The Company would like to thank Iain for his excellent contribution to the Board during the last nine years of service to Cairn. Following Iain’s retirement from the Board, Keith Lough will assume the role of Chair of the audit committee and Peter Kallos will assume the role of Senior Independent Non-Executive Director.

The Directors’ biographies are set out on pages 80 and 81 of the 2017 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 82 to 93 (inclusive) of the 2017 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 85 and 86 of the 2017 Annual Report and Accounts.

14 Resolution 14 seeks to renew the Directors’ power to allot shares. It proposes that authority be granted in substitution for the existing authority to allot securities up to a maximum amount of £2,683,300.22, representing approximately 33.33% of the Company’s total issued ordinary share capital (excluding treasury shares) as at 9 April 2018, 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 £2,683,300.22, representing approximately 33.33% of the Company’s total issued ordinary share capital (excluding treasury shares) as at 9 April 2018, being the latest practicable date prior to publication of this document. The benefit to the Company of obtaining such authority on an annual basis is that it would allow the Company to implement a rights issue of up to approximately 66.66% of the issued ordinary share capital without the need to call an additional general meeting. This would shorten the implementation timetable of such a rights issue.

The Directors consider that the authorities sought pursuant to resolution 14 are desirable to allow the Company to retain flexibility, although they have no present intention of exercising these authorities. The authorities will expire on 30 June 2019 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2019.

As at 9 April 2018, being the latest practicable date prior to publication of this document, the Company did not hold any shares in treasury.

Resolutions 15 and 16 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 2017, two separate resolutions are being proposed in connection with the disapplication of pre-emption rights.

The first, resolution 15 seeks to give the Directors power to allot equity securities or sell treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply, in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority granted by resolution 14, and otherwise up to a total amount of £402,535.29, representing approximately 5% of the Company’s total issued ordinary share capital as at 9 April 2018, being the latest practicable date prior to publication of this document.

The second, resolution 16, 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 £402,535.29 representing approximately 5% of the company’s total issued ordinary share capital as at 9 April 2018, 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 15 and 16 will expire at the same time as the authority conferred by resolution 14, unless previously revoked, varied or extended by the Company in general meeting.

If passed, resolution 17 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 9 April 2018, being 88,289,754 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 would be in the best interests of Shareholders generally, and normally only if it would result in an increase in earnings per share of the ordinary share capital in issue after the purchase.

This authority will expire on the earlier of 30 June 2019 or the conclusion of the annual general meeting of the Company to be held in 2019, 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 9 April 2018, options to subscribe for shares were outstanding over an aggregate of 4,020,195 Ordinary Shares (representing approximately 0.68% of the issued ordinary share capital of the Company as at 9 April 2018). If the new authority was granted at the Annual General Meeting and was then utilised in full, the options outstanding at 9 April 2018 would represent approximately 0.80% of the issued share capital of the Company.

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 2017, 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 18 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 2019, when it is intended that a similar resolution will be proposed.

Resolution 19 proposes that any disposal by any member of the Group of any shares (including preference shares) in Vedanta Limited on the terms described in paragraph 3 of Part 1 of this document be approved.

7. Action to be taken

Enclosed with this document is a Form of Proxy for use in respect of the Annual General Meeting. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete, sign and return the Form of Proxy as soon as possible, and in any event, so as to arrive at the offices of the Company’s registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 12.00 noon (BST) on Friday, 11 May 2018. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 12.00 noon (BST) on Friday, 11 May 2018. 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 Friday, 11 May 2018. 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 Interest Disposal Authority, or give any personal, legal, financial or tax advice.

8. Further information

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

9. Recommendation

The Board is of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial holdings amounting in aggregate to 1,799,007 Ordinary Shares representing approximately 0.305% of the current issued ordinary share capital of Cairn (as at 9 April 2018, being the latest practicable date prior to the publication of this document).

Yours faithfully,

Ian Tyler
Chairman
PART II
RISK FACTORS

Shareholders should carefully consider, in addition to the other information set out in this document, the risk factors set out below. The Company considers that these risk factors are: (i) the known material risk factors that are risks connected to the Interest Disposal Authority; (ii) the new risks to the Group which could arise as a result of the exercise of the Interest Disposal Authority; or (iii) the existing risks to the Group which will be impacted by the exercise of the 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 interest in Vedanta Limited 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, Suriname, Mexico, 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 Vedanta Limited. There can be no assurance that the Group’s future exploration and development activities will result in the discovery and exploitation of commercial accumulations of oil and gas. Should the Group’s efforts be unsuccessful and result in the Group’s reserves not increasing, this could have a negative impact on the Group’s business, financial condition, prospects and results of operations.

Increased cash resources will require prudent and secure investment

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

Failure to approve the Interest Disposal Authority

Failure of Shareholders to approve the Interest Disposal Authority will mean that Cairn will be limited in its ability to complete on-market transactions in respect of its interest in Vedanta Limited. 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 interest in Vedanta Limited.

Indian Income Tax Department restriction on sales of the interest in Vedanta Limited

In January 2014 Cairn received notification from the Indian Income Tax Department (the ‘ITD’) that Cairn’s subsidiary CUHL was restricted from selling its 184,125,764 shares in Cairn India Limited (“CIL”), representing approximately a 10% shareholding in CIL which at that time had a market valuation of INR 59.8 billion (currently US$0.9 billion). In that notification, the ITD claimed to have identified unassessed taxable income resulting from certain intra-Group share transfers undertaken in 2006, such transactions having been undertaken in order to facilitate the initial public offering of CIL in 2007. The notification made reference to retrospective Indian tax legislation enacted in 2012, which the ITD was seeking to apply to the 2006 intra-Group share transfers.

In February 2016, CUHL received a tax assessment order issued by the ITD in the amount of INR 102 billion (currently US$1.6 billion), with the final amount deemed due by the ITD being subject to interest and any
penalty ultimately imposed as further detailed in paragraph 2 of the Letter from the Chairman of Cairn Energy PLC in this circular. Enforcement of any tax liability deemed due by the ITD will be limited to the assets of CUHL being, principally, its shares in CIL (now Vedanta Limited). Following the merger of CIL and Vedanta Limited in 2017, CUHL’s shareholding in CIL has been replaced by 184,125,764 equity shares in Vedanta Limited, representing approximately a 5% shareholding in Vedanta Limited, and 736,503,056 redeemable preference shares, which are currently subject to attachment on the same basis as its previous shares in CIL. The current market value of CUHL’s equity shares and redeemable preference shares in Vedanta Limited is together US$0.9 billion.

Cairn strongly contests the basis of the tax assessment order and has brought a claim against the Republic of India under the UK-India Bilateral Investment Treaty in order to protect its legal position and seek restitution of the value effectively seized by the ITD in January 2014. Cairn is also pursuing its rights under Indian law to appeal the assessment. However, while interactions are ongoing with the ITD, Cairn continues to be restricted from selling its shares in Vedanta Limited and that restriction may continue beyond the time limit of the Interest Disposal Authority sought or the ITD may seek to enforce CUHL’s deemed tax liability against the Vedanta Limited Interest, in which case the Company will be unable to exercise the Interest Disposal Authority.

The value of the Vedanta Limited Interest is determined by factors outside of the Group’s control

The retained shareholding in Vedanta Limited represents a significant proportion of the Group’s asset value but the Group does not control Vedanta Limited and has very limited ability to influence the performance of Vedanta Limited. Any failure by Vedanta Limited in successfully managing and developing its business and/or the occurrence of any negative operational or market events could have a material adverse effect on the market value of the Group’s retained interest in Vedanta Limited and on its ability to realise value from the Vedanta Limited 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 Vedanta Limited Interest and on its ability to realise value from the Vedanta Limited 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 Vedanta or Vedanta Limited 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 PSC for a block relinquished by Vedanta Limited. Although all conditions and obligations under the Production Sharing Contract have been satisfied by Vedanta Limited, 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. Vedanta Limited 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 these 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 holding in Vedanta Limited.
PART III
ADDITIONAL INFORMATION

1. Responsibility statements

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

2. Directors’ and others’ interests

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

2.2 The interests (all of which are beneficial) of the Directors, of their respective immediate families and (so far as is known or could with reasonable diligence be ascertained by the relevant Director) of any person connected with a Director in the share capital of the Company as at 9 April 2018 (being the latest practicable date prior to the publication of this document) are as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of Ordinary Shares</th>
<th>Percentage of issued ordinary share capital*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ian Tyler</td>
<td>72,012</td>
<td>0.012%</td>
</tr>
<tr>
<td>Todd Hunt</td>
<td>32,878</td>
<td>0.006%</td>
</tr>
<tr>
<td>Iain McLaren</td>
<td>40,008</td>
<td>0.007%</td>
</tr>
<tr>
<td>Alexander Berger</td>
<td>7,000</td>
<td>0.001%</td>
</tr>
<tr>
<td>Jackie Sheppard</td>
<td>10,982</td>
<td>0.002%</td>
</tr>
<tr>
<td>Keith Lough</td>
<td>519,818</td>
<td>0.088%</td>
</tr>
<tr>
<td>Peter Kallos</td>
<td>157,783</td>
<td>0.027%</td>
</tr>
<tr>
<td>Nicoletta Giadrossi</td>
<td>10,775</td>
<td>0.002%</td>
</tr>
<tr>
<td>Simon Thomson</td>
<td>82,940</td>
<td>0.014%</td>
</tr>
</tbody>
</table>

* (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 9 April 2018 (being the latest practicable date prior to the publication of this document).

(2) The interests of the Directors in Ordinary Shares together represent 0.305% (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company as at 9 April 2018 (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 9 April 2018 (being the latest practicable date prior to the publication of this document) are as follows:

<table>
<thead>
<tr>
<th>PDMR</th>
<th>Number of Ordinary Shares</th>
<th>Percentage of issued ordinary share capital*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eric Hathon, Director of Exploration</td>
<td>4,425</td>
<td>0.001%</td>
</tr>
<tr>
<td>Paul Mayland, Chief Operating Officer</td>
<td>519,818</td>
<td>0.088%</td>
</tr>
<tr>
<td>Brita Holstad, Regional Director (UK &amp; Norway) / Managing Director of Capricorn Norge AS</td>
<td>157,783</td>
<td>0.027%</td>
</tr>
<tr>
<td>Richard Ember, Regional Director (International)</td>
<td>10,775</td>
<td>0.002%</td>
</tr>
<tr>
<td>Miles Warner, General Manager Senegal</td>
<td>212,389</td>
<td>0.036%</td>
</tr>
<tr>
<td>Douglas Taylor, Deputy Finance Director</td>
<td>82,940</td>
<td>0.014%</td>
</tr>
</tbody>
</table>

* (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 9 April 2018 (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 9 April 2018 (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 and the 2017 LTIP:

<table>
<thead>
<tr>
<th>Director/PDMR</th>
<th>Outstanding awards under the 2009 LTIP and 2017 LTIP (Ordinary Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unvested awards still subject to performance conditions</td>
</tr>
<tr>
<td>Simon Thomson</td>
<td>2,169,181</td>
</tr>
<tr>
<td>James Smith</td>
<td>1,410,849</td>
</tr>
<tr>
<td>Eric Hathon</td>
<td>703,039</td>
</tr>
<tr>
<td>Paul Mayland</td>
<td>1,212,947</td>
</tr>
<tr>
<td>Brita Holstad</td>
<td>555,042</td>
</tr>
<tr>
<td>Richard Ember</td>
<td>735,836</td>
</tr>
<tr>
<td>Miles Warner</td>
<td>528,009</td>
</tr>
<tr>
<td>Douglas Taylor</td>
<td>446,053</td>
</tr>
<tr>
<td>David Nisbet</td>
<td>551,575</td>
</tr>
</tbody>
</table>

2.5 As at 9 April 2018 (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 4,020,195 (representing approximately 0.68% of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

2.6 If the authority in resolution 17 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 9 April 2018 (being the latest practicable date prior to publication of this document) would represent 0.80% of the issued ordinary share capital of the Company.

3. Major Interests

3.1 Insofar as is known to the Company, as at 9 April 2018 (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:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of Ordinary Shares</th>
<th>Percentage of issued ordinary share capital*</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>70,801,904</td>
<td>12.02%</td>
</tr>
<tr>
<td>MFS Investment Management Limited</td>
<td>58,977,244</td>
<td>10.02%</td>
</tr>
<tr>
<td>Aberdeen Standard Investments</td>
<td>56,333,278</td>
<td>9.57%</td>
</tr>
<tr>
<td>Janus Henderson Investors</td>
<td>31,883,389</td>
<td>5.41%</td>
</tr>
<tr>
<td>Majedie Asset Management</td>
<td>29,102,365</td>
<td>4.94%</td>
</tr>
<tr>
<td>Kames Capital</td>
<td>27,018,313</td>
<td>4.59%</td>
</tr>
<tr>
<td>Hotchkis &amp; Wiley</td>
<td>26,250,400</td>
<td>4.46%</td>
</tr>
<tr>
<td>Aviva Investors</td>
<td>24,349,604</td>
<td>4.13%</td>
</tr>
<tr>
<td>Franklin Templeton</td>
<td>22,258,367</td>
<td>3.78%</td>
</tr>
<tr>
<td>Legal &amp; General Investment Management</td>
<td>18,349,835</td>
<td>3.12%</td>
</tr>
</tbody>
</table>

* (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 £565,533
James Smith £367,826

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

Each executive director is entitled to a company car up to a maximum value of £70,000, permanent health insurance, private health insurance and death in service benefit of up to four times annual basic salary at the date of death.

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

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

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

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

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

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

4.2 Non-executive directors’ letters of appointment

Letters of appointment have been entered into between the Company and each of the non-executive directors, which set out their respective responsibilities. Those letters of appointment do not provide for any period of notice. 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.
Director | Date of appointment or of last reappointment | Annual fee
---|---|---
Ian Tyler | 19 May 2017 | £177,000
Todd Hunt | 19 May 2017 | £75,500
Iain McLaren | 19 May 2017 | £75,500
Alexander Berger | 19 May 2017 | £75,500
Jackie Sheppard | 19 May 2017 | £75,500
Keith Lough | 19 May 2017 | £75,500
Peter Kallos | 19 May 2017 | £75,500
Nicoletta Giadrossi | 19 May 2017 | £75,500

(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% after 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$64 million based on an exchange rate of US$1:NOK7.77 as at 9 April 2018 (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 Vedanta Limited

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 Vedanta Limited; 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 Vedanta Limited 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 2015 and 9 April 2018 (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 2015, 31 December 2016 and 31 December 2017 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 2015, 31 December 2016 and 31 December 2017.

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

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.

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 9 April 2018 (being the latest practicable date prior to the publication of this document):

(a) Remuneration of key management personnel

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

<table>
<thead>
<tr>
<th></th>
<th>US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>1.0</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>0.1</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>3.6</td>
</tr>
</tbody>
</table>

(b) Subsidiary Undertakings

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

<table>
<thead>
<tr>
<th>Transactions during the period</th>
<th>US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts invoiced to subsidiaries</td>
<td>2.2</td>
</tr>
<tr>
<td>Amounts invoiced from subsidiaries</td>
<td>1.8</td>
</tr>
<tr>
<td>Finance income – dividends received</td>
<td>—</td>
</tr>
</tbody>
</table>

Balances as at 9 April 2018

<table>
<thead>
<tr>
<th>Amounts owed by subsidiary undertakings</th>
<th>US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>(72.1)</td>
<td></td>
</tr>
</tbody>
</table>

7. Litigation

The Group

Save as disclosed below under the heading “Indian Income Tax Department restriction on sales of the interest in Vedanta Limited”, 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 Vedanta Limited

Save as disclosed below under the heading “Indian Income Tax Department restriction on sales of the interest in Vedanta Limited”, there are no governmental, legal or arbitration proceedings in relation to the Group’s shareholding in Vedanta Limited (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 interest in Vedanta Limited**

In January 2014 Cairn received notification from the Indian Income Tax Department (the “ITD”) that Cairn’s subsidiary CUHL was restricted from selling its 184,125,764 shares in Cairn India Limited (“CIL”), representing approximately a 10% shareholding in CIL which at that time had a market valuation of INR 59.8 billion (currently US$0.9 billion).

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

Following the subsequent merger of CIL and Vedanta Limited, CUHL’s shareholding in CIL has been replaced by an approximately 5% shareholding in Vedanta Limited issued together with preference shares which are both currently subject to ITD attachment on the same basis as its previous shares in CIL. The current market value of CUHL’s equity and preference shares in Vedanta Limited is together INR 59.2 billion (approximately US$0.9 billion).

In addition to attaching CUHL’s shares in Vedanta Limited, the ITD has seized dividends due to CUHL totalling INR 6.7 billion (currently US$103 million). The ITD has also notified Cairn that a tax refund of INR 15.9 billion (currently US$245 million), due to CUHL in a separate matter as a result of overpayment of capital gains tax paid by CUHL in 2011, is being withheld by the ITD and applied as partial payment toward the tax assessment of the 2006 Transactions.

The assessment issued in February 2016 by the ITD of principal tax due on the 2006 Transactions is for INR 102 billion (currently US$1.6 billion), plus applicable interest and penalties. On 9 March 2017, the Income Tax Appellate Tribunal, Delhi (“ITAT”) issued an order in which it was held that CUHL should not be required to pay interest under certain sections of the Indian Income Tax Act, 1961, on the basis that the tax payable had “arisen because of retrospective amendment” and that CUHL “could not have visualized” such liability when it carried out the transfers in 2006. Interest is currently being charged on the principal at a rate of 12% per annum from February 2016, although this is subject to the ITD’s Indian high court appeal that interest should be back dated to 2007 and therefore amounts to INR 188 billion (currently US$2.89 billion). Penalties are currently assessed as 100% of the principal tax due, although this is subject to appeal by CUHL that penalties should not be charged. Cairn is contesting the tax proceedings in India.

Under any circumstances, the maximum amount that could ultimately be recovered from Cairn by the ITD is limited to the value of CUHL’s net assets which mainly comprise the ordinary and preference shares in Vedanta Limited plus the dividends seized previously or in the future and the withheld tax refund.

In March 2015 Cairn filed a Notice of Dispute under the UK-India Bilateral Investment Treaty (the “Treaty”) in order to protect its legal position and seek restitution of the value effectively seized by the ITD in and since January 2014. Cairn’s principal claims are that the assurance of fair and equitable treatment and protections against expropriation afforded by the Treaty have been breached by the actions of the ITD, which is seeking to apply retrospective taxes to historical transactions already closely scrutinised and approved by the Government of India, and has attached and seized assets to try to enforce such taxation. Cairn’s plea is therefore that the effects of the tax assessment should be nullified and Cairn should receive recompense from India for the loss of value resulting from the 2014 attachment of CUHL’s shares in CIL and the withholding of the tax refund, which together total approximately INR 82.4 billion (currently US$1.3 billion).

The Treaty proceedings formally commenced in January 2016 following agreement between Cairn and the Republic of India on the appointment of a panel of three international arbitrators under the terms of the Treaty. Cairn’s statement of claim was submitted to the arbitral tribunal in June 2016 and the Republic of India submitted its statement of defence in February 2017. A period of further submissions and document production has been ongoing. In September 2017 the arbitral tribunal confirmed the schedule for the remainder of the arbitration, with final hearings being in August 2018 and the tribunal’s ruling issued expeditiously thereafter.
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 2017, being the date to which the last annual consolidated accounts of the Group were prepared.

*The Group’s shareholding in Vedanta Limited*

The share price of Vedanta Limited has fallen from INR 329.90 on 31 December 2017 (being the date to which the last annual consolidated accounts of the Group were prepared) to INR 281.35 on 9 April 2018 (the latest practicable date before the publication of this document); however, movements in the US$:INR foreign exchange rates mean that the US$ market value of the equity shareholding has decreased -16.3% over the period. As at 9 April 2018, the market value of the Group’s interest in Vedanta Limited (including the preference shares) was approximately US$0.9 billion, based on an exchange rate of US$1: INR 65.03.

As noted previously, Cairn is restricted by the Indian Income Tax Department from selling its shares in Vedanta Limited.

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 9 April 2018 (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 2015, 2016 and 2017; and

(iv) this document.

12. **Consent**

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

*Date: 11 April 2018*
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);

“2017 Annual Report and Accounts” the annual report and accounts of the Company for the year ended 31 December 2017;

“2017 LTIP” the Cairn Energy PLC Long Term Incentive Plan (2017);

“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 Tuesday, 15 May 2018;

“Articles of Association” the articles of association of the Company from time to time;

“boe” barrel(s) of oil equivalent;

“bopd” barrel(s) of oil per day;

“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” or “CIL” Cairn India Limited, incorporated in India;

“Cairn India Group” Cairn India and its subsidiary undertakings;

“Company” or “Cairn” Cairn Energy PLC, a company incorporated in Scotland with registered number SC226712;

“Continuing Group” the Group excluding the Group’s interest in 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;


“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;

“FPSO” Floating Production Storage and Offloading Vessel;

“FSMA” the Financial Services and Markets Act 2000 (as amended);

“Group” Cairn and its subsidiary undertakings;

“Interest Disposal Authority” the authority to dispose of or reduce Cairn’s interest in the equity share capital of Vedanta Limited, as described in this document;

“JV” joint venture;

“Listing Rules” the listing rules made by the UKLA for the purposes of Part VI of FSMA;

“mmbbl” million barrels;

“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;

“PSC” Production Sharing Contract;

“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;

“WI” working interest;

“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.
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 Tuesday, 15 May 2018 for the following purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 14 and 19 will be proposed as ordinary resolutions and resolutions 15 to 18 will be proposed as special resolutions:

1) That the reports and accounts for the year ended 31 December 2017 be received.

2) That the directors’ remuneration report (excluding the directors’ remuneration policy) contained within the report and accounts for the year ended 31 December 2017 be approved.

3) That PricewaterhouseCoopers LLP be re-appointed as auditor of the Company.

4) That the directors be authorised to determine the auditor’s remuneration.

5) That Ian Tyler be re-elected as a director.

6) That Todd Hunt be re-elected as a director.

7) That Alexander Berger be re-elected as a director.

8) That M. Jacqueline Sheppard QC be re-elected as a director.

9) That Keith Lough be re-elected as a director.

10) That Peter Kallos be re-elected as a director.

11) That Nicoletta Giadrossi be re-elected as a director.

12) That Simon Thomson be re-elected as a director.

13) That James Smith be re-elected as a director.

14) That:

   (a) the directors of the Company (the “Directors”) be generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, up to a maximum nominal amount of £2,683,300.22;

   (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 £2,683,300.22 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 2019 or, if earlier, at the end of the next annual general meeting of the Company to be held in 2019, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry; and
(d) for the purpose of this resolution, “Pre-Emptive Offer” means an offer of equity securities to:

(i) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and

(ii) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them,

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

15) That:

(a) subject to the passing of resolution 14 set out in the notice of Annual General Meeting dated 11 April 2018 (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 £402,535.29;

(ii) in the case of paragraph (b) of the Allotment Authority, in connection with a Pre-Emptive Offer undertaken by means of a rights issue; and

(b) the power given by this resolution:

(i) shall be in substitution for all pre-existing powers under section 570 of the Act; and

(ii) unless renewed in accordance with the Act, shall expire at the same time as the Allotment Authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry.

16) That:

(a) subject to the passing of resolution 14 set out in the notice of Annual General Meeting dated 11 April 2018 (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 £402,535.29; 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.

17) 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 88,289,754 (representing 14.99% of the Company’s issued ordinary share capital at 9 April 2018);

(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 2019 or at the end of the next annual general meeting of the Company to be held in 2019, 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.

18) 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 2019.

19) That:

(a) any disposals by the Company or any subsidiary undertaking of the Company of any or all shares in Vedanta Limited held by it at or as close as reasonably possible to the prevailing market price if and when the Company considers it appropriate and in the best interests of shareholders as a whole to make such disposals (“Disposals”) be approved;

(b) the directors of the Company (or a duly authorised committee thereof) be authorised to take all steps as they consider necessary or appropriate to effect any Disposals; and

(c) the power given by this authority:

(i) shall be in substitution for any existing authority; and

(ii) unless previously varied, revoked or renewed, the authority conferred by this resolution shall expire on the earlier of 30 June 2019 or at the end of the next annual general meeting of the Company to be held in 2019.

By Order of the Board

Duncan Wood
Company Secretary
50 Lothian Road
Edinburgh EH3 9BY

11 April 2018
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 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 15 May 2018 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 Friday, 11 May 2018, 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. 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 6.30pm (BST) on Friday, 11 May 2018 (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 9 April 2018 (being the latest practicable time before printing this Notice of Annual General Meeting), the Company’s issued share capital comprised 588,991,025 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 9 April 2018 was 588,991,025.

9. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Annual General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting and, if applicable, any members’ statements, members’ resolutions or members’ matters of business received by the Company after the date of this Notice of Annual General Meeting will be available on the Company’s website at www.cairnenergy.com.

10. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

11. Under section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company’s accounts (including the auditor’s report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company’s auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

12. A member may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Chairman’s letter and proxy form), to communicate with the Company for any purpose other than those expressly stated.


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